

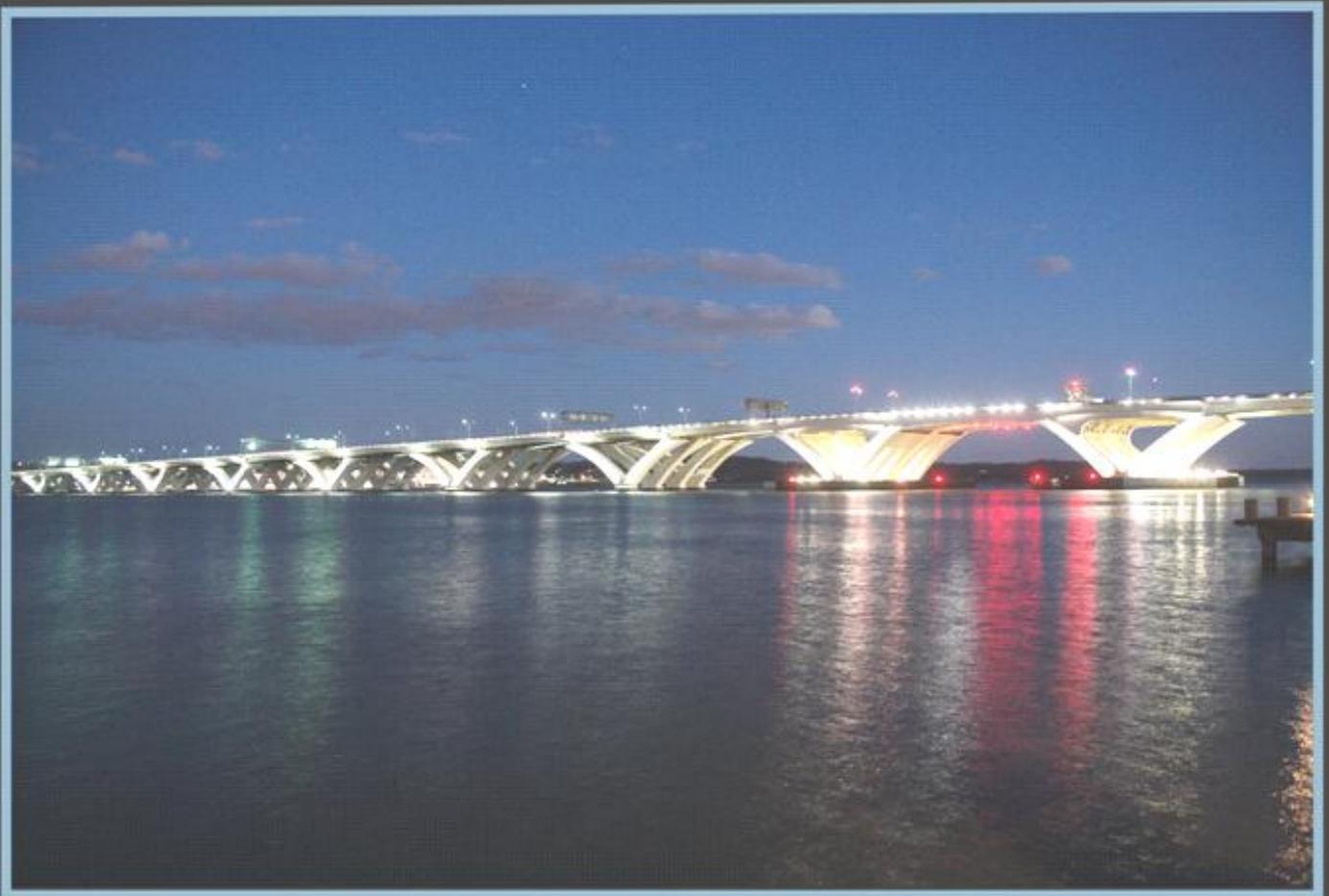


MARYLAND

DEPARTMENT OF TRANSPORTATION

A DEPARTMENT OF THE STATE OF MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2010

Martin O'Malley, Governor
Anthony G. Brown, Lt. Governor
Beverley K. Swaim-Staley, Secretary



MARYLAND

DEPARTMENT OF TRANSPORTATION

A DEPARTMENT OF THE STATE OF MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2010

Prepared by the Secretary's Office - Office of Finance

David L. Fleming, Director/Chief Financial Officer
Wonza-Spann Nicholas, Deputy Chief Financial Officer
Steven P. Watson, Assistant Director, Accounting
Lawrence J. Schillenberg, Jr., Accounting Manager



Cover photograph of Woodrow Wilson Bridge by Trevor Wrayton, VDOT

MARYLAND DEPARTMENT OF TRANSPORTATION MARYLAND TRANSPORTATION PLAN



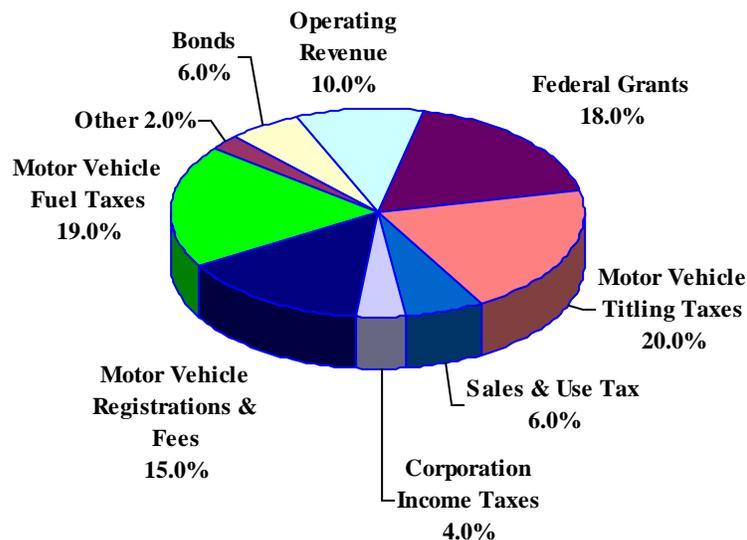
Mission

The Maryland Department of Transportation's mission is to enhance the quality of life for Maryland's citizens by providing a balanced and sustainable multi-modal transportation system for safe, efficient passenger and freight movement.

Vision

The Maryland Department of Transportation strives to achieve our vision of a world-class multimodal transportation system that supports a vibrant economy and an excellent quality of life for all Marylanders.

TRANSPORTATION TRUST FUND ESTIMATED REVENUE SOURCES



MARYLAND DEPARTMENT OF TRANSPORTATION COMPREHENSIVE ANNUAL FINANCIAL REPORT

A DEPARTMENT OF THE STATE OF MARYLAND FOR THE FISCAL YEAR ENDED JUNE 30, 2010 TABLE OF CONTENTS

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Maryland Department of Transportation
Comprehensive Annual Financial Report



INTRODUCTORY SECTION



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Maryland Department of Transportation
The Secretary's Office

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Beverley K. Swaim-Staley
Secretary

Harold M. Bartlett
Deputy Secretary

December 10, 2010

Beverley K. Swaim-Staley
Secretary
Maryland Department of Transportation
7201 Corporate Center Drive
Hanover MD 21076

Dear Secretary Swaim-Staley:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Maryland Department of Transportation (Department) for the fiscal year ended June 30, 2010, which includes the financial statements of the Department. I believe the data, as presented, is reported in a manner designed to present fairly the financial position and changes in financial position of the Department. All disclosures necessary to enable the reader to gain a maximum understanding of the Department's financial affairs have been included. This CAFR is a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Department. Consequently, management assumes full responsibility for the completeness and reliability of all information presented within this report. To provide a reasonable basis for making these representations, the Department's management has established a comprehensive internal control framework designed to protect the Department's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Department's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the Department's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

The Department, in conjunction with the State of Maryland, requires an audit of the Department's basic financial statements by a firm of licensed certified public accountants. The Department has complied with this requirement, and the independent audit report of SB & Company, LLC is presented as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the Department's financial statements for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Department's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP.

My telephone number is 410-865-1035
Toll Free Number 1-888-713-1414 TTY Users Call Via MD Relay
7201 Corporate Center Drive, Hanover, Maryland 21076

The independent audit of the Department's financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State of Maryland's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Department's MD&A can be found immediately following the report of the independent public accountants.

Profile of the Government

The Department has the responsibility for most State-owned transportation facilities and programs. This responsibility includes the planning, financing, construction, operation and maintenance of various modes of transportation and effecting various related licensing and administrative functions. The statutorily created transportation agencies or modal administrations that are encompassed by the Department are the Maryland Aviation Administration, the Maryland Port Administration, the Motor Vehicle Administration, the Maryland Transit Administration, the State Highway Administration, and the Secretary's Office.

The Secretary of Transportation is empowered, on behalf of the Department, to exercise or perform any power or duty that any of these Administrations may exercise or perform. These powers and duties involve, among others, the operation of the Baltimore Washington International Thurgood Marshall (BWI Marshall) Airport, including the power to set landing fees and to rent space to airlines and concessionaires; the operation of the various State-owned buildings and marine terminals in the Port of Baltimore, including the power to set and collect rental and other fees for the use of these facilities; the construction and maintenance of the State Highway System; the operation of all mass transit facilities in the Baltimore Metropolitan Transit District, including the operation of the rail system in this District and the power to set and collect the fares for this system; the licensing and registration of all motor vehicles and motor vehicle operations in the State; and the power to acquire any property by purchase or condemnation that is necessary to exercise or perform these powers and duties. The Secretary of Transportation is also empowered to provide grants for transportation-related purposes, including annual grants in support of the Washington Metropolitan Area Transit Authority (WMATA) for construction and operation of its facilities.

Certain transportation facilities, which are not part of the Department's financial reporting entity, are operated as toll facilities by the Maryland Transportation Authority (Authority). These toll facilities, the Chesapeake Bay Bridges, the Fort McHenry Tunnel, the Baltimore Harbor Tunnel, the Francis Scott Key Bridge, the John F. Kennedy Memorial Highway and others are included in the Authority's separately audited financial statements. The Authority also developed a 262-acre containerized-cargo marine terminal, the Seagirt Marine Terminal and an intermodal container transfer rail yard. The Maryland Port Administration manages the intermodal container transfer yard and leases the management of Seagirt Marine Terminal to an outside private entity. The Authority consists of six members who are appointed by the Governor and the Secretary who is *ex officio* and serves as the Chairman.

The Department's annual budget serves as the foundation for its financial planning and control. The Governor is required, by the Maryland Constitution, to submit annually to the General Assembly a balanced budget containing a complete plan of proposed expenditures and estimated revenues for the ensuing fiscal year, including a plan of proposed expenditures and estimated revenues for the Department. The General Assembly may not amend the Budget Bill to affect payment of State debt or otherwise to change its provisions, except to increase or decrease the appropriations relating to the General Assembly or the judiciary, or to strike out or reduce other appropriations submitted by the Governor. It must, however, enact a balanced budget. The General Assembly may authorize an appropriation apart from the Budget Bill, but it may only do so by a separate supplementary appropriation bill limited to a single object or purpose and providing for levying a specific tax or taxes in that bill sufficient to fund the appropriation.

The Department's expenditures are made in accordance with appropriations provided for in the annual budget, except that the Department may submit to the Governor a budget amendment and, if the Governor approves the amendment, the Department may make disbursements in accordance with the budget amendment. By budget amendment, the Department may increase or decrease the amount of the appropriation for any project or transfer funds from one project or administration to another. A budget amendment may not, however, increase the salary or salaries of any office or position, except in certain acute emergencies, or change any language or substantive provision in the budget. All amendments approved by the Governor are required to be reported by him to the next session of the General Assembly. By means of a constitutional amendment in 1978, the General Assembly is permitted to enact bills that may require the Governor to provide for specific program funding in the annual budget. A schedule showing budget and actual expenditures is presented as required supplementary information at the end of the financial section of this report.

Transportation Trust Fund

The Transportation Trust Fund (TTF) was established in 1971 by Chapter 526 of the Laws of Maryland for 1970. The TTF is credited with revenues collected from motor vehicle titling and fuel taxes, a portion of the State's corporate income tax, a portion of the State's sales and use tax, various fees, charges for services, bond proceeds, federal grants for transportation purposes and other receipts of the Department. All expenditures of the Department are made from the TTF. The Department may use the funds in the TTF for any lawful purpose related to the exercise of its powers, duties and obligations, after meeting its debt service requirements. Unexpended funds remaining in the TTF at the close of each fiscal year do not revert to the State's General Fund Account but remain in the TTF.

Accounting records for the Transportation Trust Fund (TTF) are maintained by the Comptroller of the State of Maryland (State), and all cash and investments of the TTF are held by the State Treasurer, except for revolving cash accounts. Accounting records for the TTF, for operational and management purposes, are maintained by the Department's Office of Finance. Although the accounts maintained by the Department on a budgetary basis generally conform to GAAP, there are certain departures from these principles that are dictated by statutory requirements and historical practices. The principal departures are the exclusion of non-budgeted activities and classification of fund-type.

Factors Affecting Financial Condition

The information presented in the Department's financial statements is best understood when it is considered from a broader perspective of the specific environment within which the Department operates. All of the Department's activities are supported by the TTF. The flexible structure of the

TTF provides the Department with the ability to expand and maintain the modal administrations' operating, capital construction and maintenance programs. The condition of the State's economy influences its revenue sources. Tracking the factors that affect Maryland's economy helps in monitoring the financial health of the TTF.

Local Economy

Maryland's economy was substantially affected by the "Great Recession." Standard economic measures indicated a setback of several years. However, since the start of 2010, Maryland's economy appears to have turned the corner and is showing signs of growth. Maryland's unemployment rate has peaked at 7.7% in early 2010, having risen about four points. Employment shrank with a loss of 139,000 jobs, but since that trough in February, 53,000 new jobs have been created in the State.

Continued expansion is never guaranteed, however the indicators are moving in the right direction for the State's economy. Personal income grew 2.4% in the first half of 2010, a significant improvement over the 0.4% growth for all of 2009. In 2011, employment and personal income are forecast to improve. The State's recovery to "normal" will be slow, and will rely primarily on the pace of the national economy's progress.

The Department's transportation system provides important economic benefits to the citizens and businesses throughout Maryland. The port, airports, highways, and transit systems each play a vital role in moving goods and people around and through the State. Maintaining and improving the Department's transportation system is essential for growth in Maryland's economy. Investment in the Department's transportation system results in direct economic benefits such as construction jobs and indirect benefits such as businesses choosing to relocate in Maryland, in part due to the Department's efficient and effective transportation system.

Long-term Planning

Each year the Department uses the Maryland Transportation Plan, adopted in January 2010, as a guide to develop the draft Consolidated Transportation Program (CTP), a specific list of projects to be funded over a six-year period. The Department publishes the draft CTP in September of each year and the final CTP in January of the next calendar year. The CTP lists the capital projects that preserve and enhance our transportation system to accommodate intrastate and interstate travel, international travel, and to facilitate commerce. These projects are Maryland's investment in our highway, transit, port, and aviation facilities that ensure a safe and efficient transportation system.

Projects included in the Department's 2011 draft CTP for fiscal years 2011-2016 require about \$9.4 billion in funding over the next six years. Of that amount, \$4.3 billion is allocated for *State highway projects*, while \$3.5 billion is allocated for *Maryland transit projects*. The remaining amount includes *Maryland aviation projects* of \$684 million, *Maryland port projects* of \$630 million, *motor vehicle administration projects* of \$108 million, and projects in the *Secretary's Office* of \$177 million. Overall, the Department's capital program continues to emphasize preservation of Maryland's existing transportation infrastructure and ensures the competitiveness of the Port of Baltimore and BWI Marshall Airport.

Pension Benefits

The Department contributes to the State Retirement and Pension System of Maryland (System), established by the State of Maryland to provide pension benefits for State employees

(other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of the various participating political subdivisions or other entities within the State. While the System is an agent multiple-employer public employee retirement system, the Department accounts for the plan as a cost sharing multiple-employer public employee retirement system since a separate valuation is not performed for the Department and the Department's only obligation to the plan is its annual contributions.

The Department sponsors a single-employer noncontributory benefit pension plan for all Maryland Transit Administration employees that are covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution the Department must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the Department fully funds each year's annual required contribution to the pension plan as determined by the actuary.

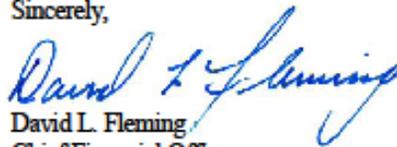
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Maryland Department of Transportation for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This year was the *tenth* consecutive year the Department has received this prestigious award. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this CAFR would not have been possible without the efficient and dedicated services of the entire staff in the Office of Finance and assistance from various other agencies within the Department. I would like to express my appreciation to all members of the Department who assisted and contributed to the preparation of this CAFR.

Sincerely,



David L. Fleming
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maryland Department of Transportation

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



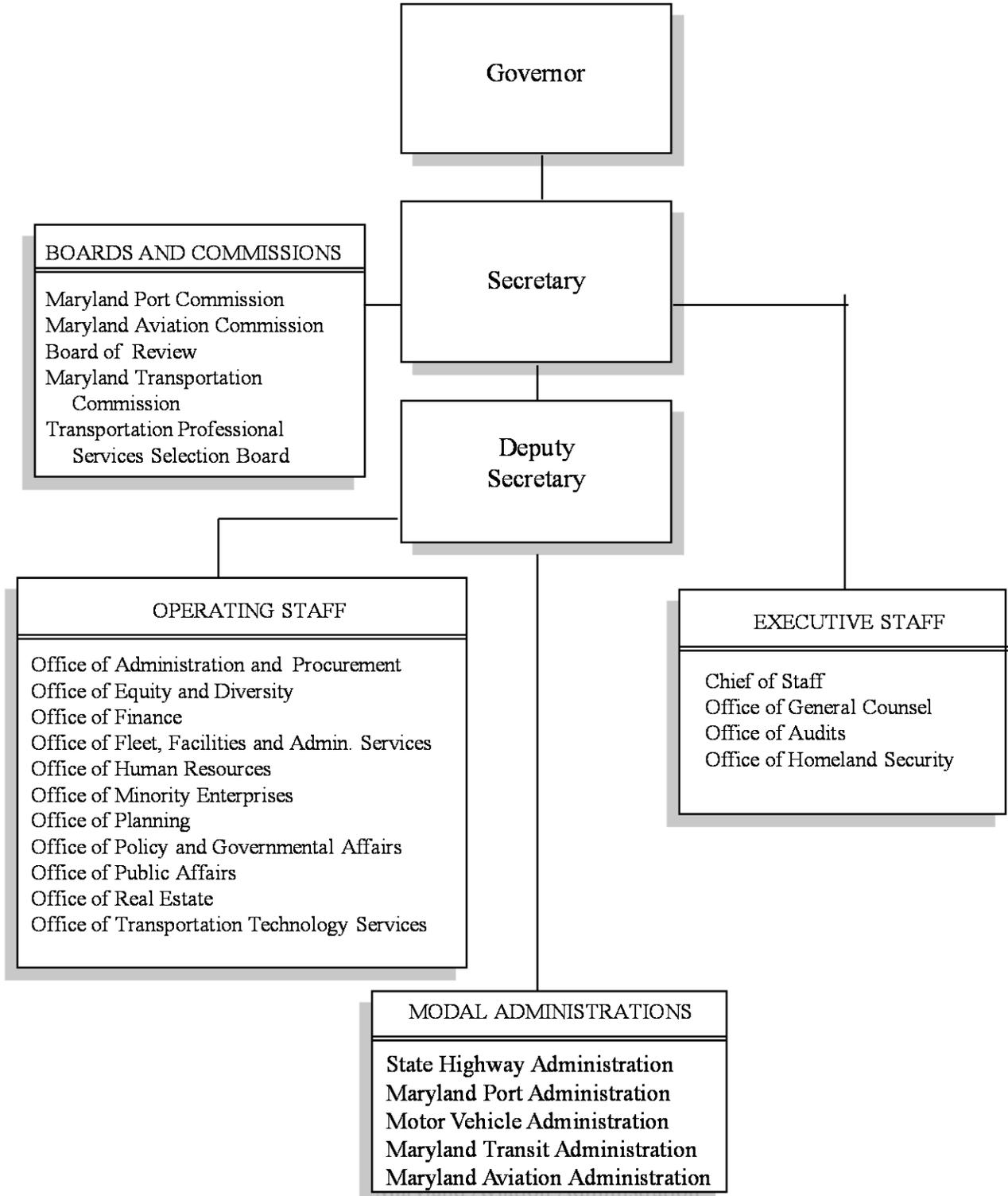
A stylized, handwritten signature in black ink, appearing to be "H.R.", positioned above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Enen", positioned above the title "Executive Director".

Executive Director

MARYLAND DEPARTMENT OF TRANSPORTATION



MARYLAND DEPARTMENT OF TRANSPORTATION
LIST OF PRINCIPAL DEPARTMENT OFFICIALS
For the Fiscal Year Ended June 30, 2010



<u>Title</u>	<u>Name</u>
Secretary of Transportation.....	Beverley K. Swaim-Staley
Deputy Secretary of Transportation.....	Harold M. Bartlett
State Highway Administrator.....	Neil J. Pedersen
Maryland Port Executive Director.....	James J. White
Motor Vehicle Administrator.....	John T. Kuo
Maryland Transit Administrator.....	Ralign T. Wells
Maryland Aviation Executive Director.....	Paul J. Wiedefeld
Assistant Attorney General and Principal Counsel to the Department of Transportation.....	Denise Ferguson
Chief Financial Officer	David L. Fleming



Maryland Department of Transportation
Comprehensive Annual Financial Report



FINANCIAL SECTION



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Ms. Beverley K. Swaim-Staley, Secretary
Maryland Department of Transportation

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Maryland Department of Transportation (the Department) as of June 30, 2010, and for the year then ended, which collectively comprise the Department's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, the aggregate remaining fund information of the Maryland Department of Transportation, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedules of funding progress and employer contributions of the Maryland Transit Administration Pension and Other Post-retirement Benefit Plans, and the special revenue fund's schedule of revenues, expenditures and changes in fund balance - budget and actual, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The statement of changes in assets and liabilities - agency funds, introductory section and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The statement of changes in assets and liabilities - agency funds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hunt Valley, Maryland
December 10, 2010

200 International Circle • Suite 5500 • Hunt Valley • Maryland 21030 • P 410-584-0060 • F 410-584-0061

MARYLAND DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

As management of the Maryland Department of Transportation (Department), we offer the citizens of Maryland and others interested in the Department's financial statements this narrative overview and analysis of the financial activities of the Department **for the fiscal year ended June 30, 2010**. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on *pages 7 to 11* of this report.

Financial Highlights

- The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$12,973,415,000 (*net assets*). Of this amount, \$(201,647,000) (*unrestricted net assets*) is reflected on the Statement of Net Assets as a negative amount due to the reporting of pollution remediation costs and additional deferred revenue for the Seagirt Marine Terminal leasing agreement.
- As of the close of the current fiscal year, the Department's governmental funds reported a combined ending fund balance of \$336,848,000, an increase of \$997,000 in comparison with the prior fiscal year.
- The Department's transportation bonds debt increased by \$62,405,000 (3.9%) during the current fiscal year. The key factor for this increase was the Department's issuance of new bonds during the current fiscal year for the Department's capital construction projects.
- The Department reported two unusual transactions in the current fiscal year. First in January 2010 the MPA entered into a new lease agreement with a private entity to lease and operate the Seagirt Marine Terminal in consideration for an advance payment of \$140,000,000 which was paid to the Maryland Transportation Authority for releasing ownership of the terminal to the MPA – in addition to annual lease payments to MPA. Also in 2010, the Department transferred half ownership of the Woodrow Wilson Bridge to the Virginia Department of Transportation in the amount of \$413,770,000. This amount is reported on our financial statements as a *Loss on disposal of capital assets*.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business. The *Statement of Net Assets* presents information on all of the Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as one of several useful indicators of the Department's financial position. The *Statement of Activities* presents information showing how the Department's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise

to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions. The governmental activities of the Department include the Secretary's Office, the State Highway Administration, the Maryland Port Administration, the Motor Vehicle Administration, the Maryland Transit Administration, the Maryland Aviation Administration, Washington Metropolitan Area Transit Authority Grants, distributions to political subdivisions, distributions to other state agencies and debt service. The government-wide financial statements include only the Department (a Department of the State of Maryland), which has no component units and does not include the Maryland Transportation Authority which is a separate entity. The government-wide financial statements of the Department can be found on *pages 29 and 30* of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the special revenue fund and the debt service fund. The special revenue fund is considered to be a major fund. The basic governmental fund financial statements can be found on *pages 31 and 32* of this report.

The Maryland General Assembly authorizes an annual appropriated budget for the Department's special revenue fund. A budgetary comparison schedule has been provided for the special revenue fund to demonstrate compliance with this budget. The budgetary comparison schedule can be found on *page 64* of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Department's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on *pages 34 and 35* of this report.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on *pages 36 to 59* of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Department's progress in funding its obligation to provide pension benefits to its employees at the Maryland Transit Administration, as well as the budget and actual comparison schedule. Required supplementary information can be found on *pages 62 and 64* of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the Department, assets exceeded liabilities by \$12,973,415,000 at the close of the most recent fiscal year. By far the largest portion of the Department's net assets reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Department uses those capital assets to provide services to the citizens of Maryland; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Maryland Department of Transportation

Net Assets

(amounts expressed in thousands)

<i>Governmental Activities</i>	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Current and other assets	\$ 881,634	\$ 886,825
Capital assets	15,532,649	15,689,988
Total assets	16,414,283	16,576,813
Long-term liabilities outstanding	2,816,504	2,742,469
Other liabilities	624,364	538,086
Total liabilities	3,440,868	3,280,555
Net assets:		
Capital assets, net of related debt	13,171,279	13,349,027
Restricted	3,783	9,694
Unrestricted	(201,647)	(62,463)
Total net assets	\$12,973,415	\$13,296,258

A small portion of the Department's net assets in the amount of \$3,783,000 represents resources that are subject to external restrictions on how they may be used.

The Department's net assets decreased by \$322,843,000 during the current fiscal year of 2010, primarily due to the Department's reporting a loss on disposal of assets transferred to another government entity.

Governmental activities

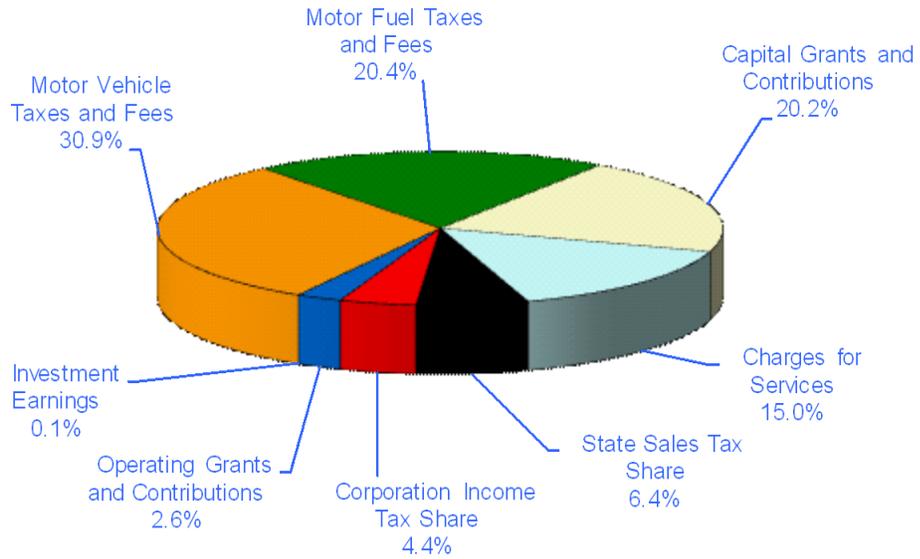
Governmental activities decreased the Department's net assets by \$322,843,000, which represents the Department's overall economic position. The key elements of the Department's governmental activities are as follows:

***Maryland Department of Transportation
Changes in Net Assets
(amounts expressed in thousands)***

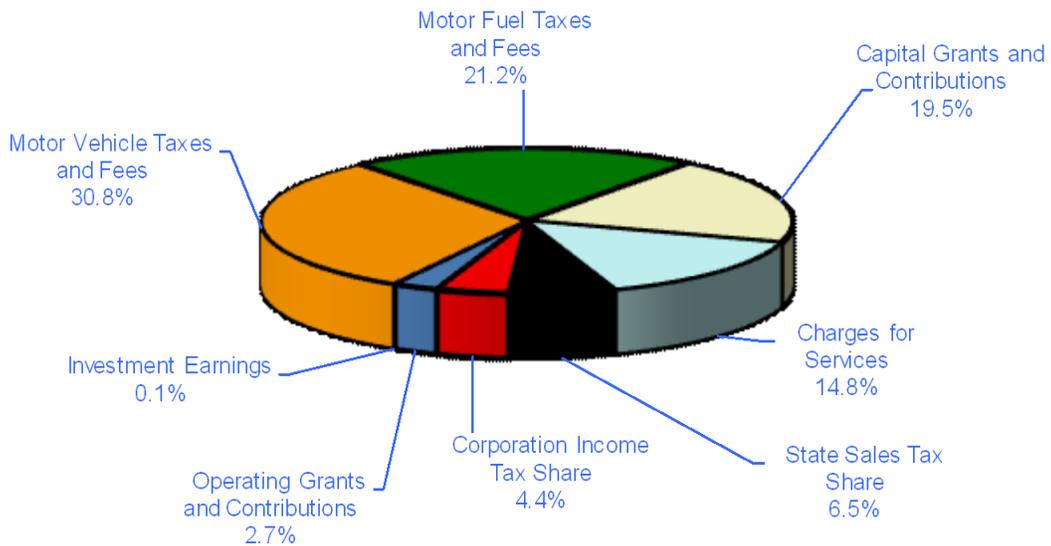
<i>Governmental Activities</i>	<i>Year ended June 30, 2010</i>	<i>Year ended June 30, 2009</i>
Revenues:		
Program revenues:		
Charges for services	\$ 527,330	\$ 506,531
Operating grants and contributions	90,762	93,729
Capital grants and contributions	714,144	668,442
General revenues:		
Motor vehicle taxes and fees	1,082,559	1,058,759
Motor fuel taxes and fees	714,210	728,385
Corporation income tax share	153,275	150,554
State sales tax share	223,582	223,084
Unrestricted investment earnings	404	4,029
Loss on disposal of assets	(413,770)	
Total revenues	3,092,496	3,433,513
Expenses:		
Secretary's Office	459,933	419,588
State Highway Administration	1,410,556	1,437,996
Port Administration	186,516	189,603
Motor Vehicle Administration	165,933	176,300
Transit Administration	818,465	782,548
Aviation Administration	272,455	274,906
Interest on long-term debt	101,481	97,683
Total expenses	3,415,339	3,378,624
(Decrease)/Increase in net assets	(322,843)	54,889
Net assets – July 1	13,296,258	13,241,369
Net assets – June 30	\$12,973,415	\$13,296,258

Revenues by Source - Governmental Activities

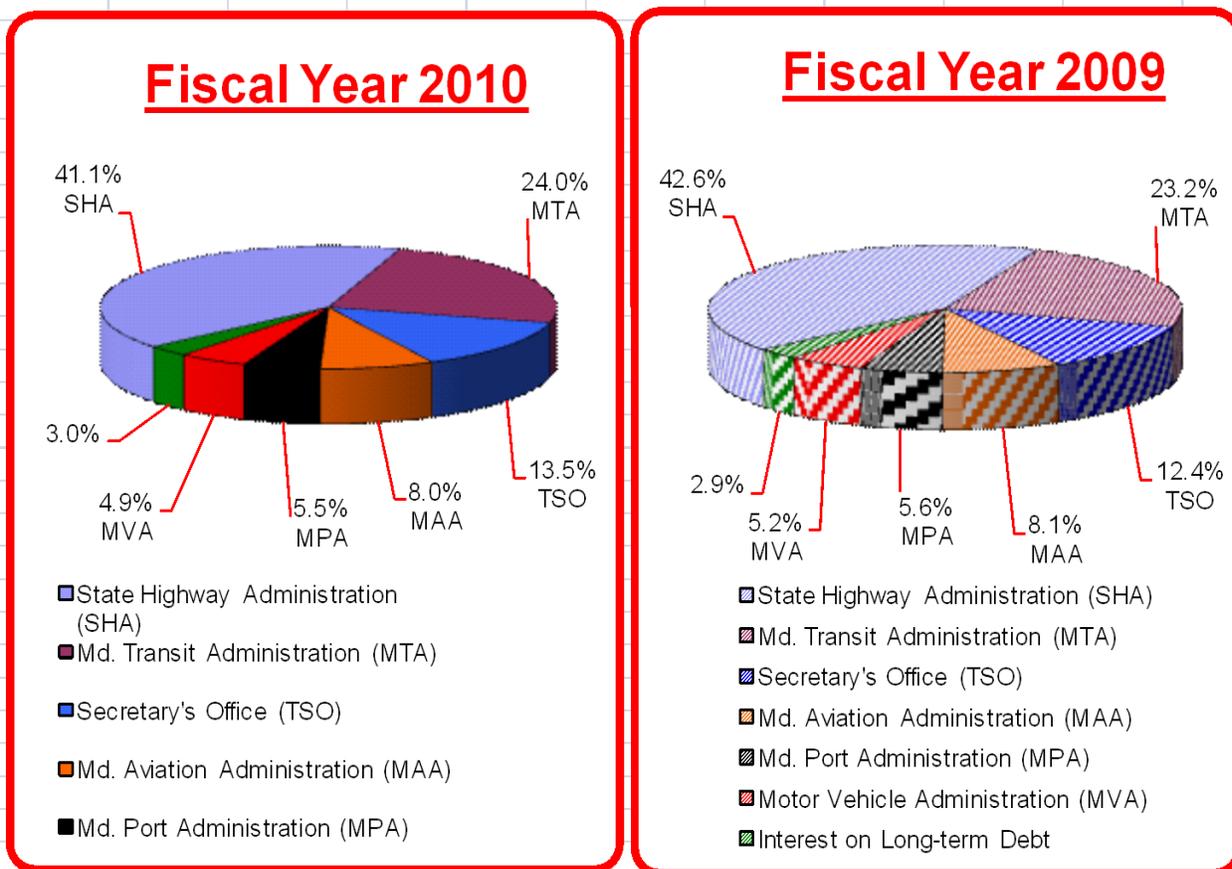
Fiscal Year 2010



Fiscal Year 2009



Expenses by Function - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental funds

The focus of the Department's governmental funds is to provide information on near-term inflows, outflow and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Department's governmental funds reported combined ending fund balances of \$336,848,000, an increase of \$997,000 in comparison with the prior fiscal year. The majority of special revenue fund balance is reserved and indicates that it is not available for new spending because it has already been committed (1) to maintain a separate account for inventory activity balances in the amount of \$79,089,000, (2) to maintain a separate account for prepaid expenses activity balances in the amount of \$90,539,000, (3) to maintain a separate account for notes receivables in the amount of \$1,466,000, (4) to maintain a separate account for specific agency activity balances in the amount of \$412,000, and (5) to maintain a separate account for specific construction project balances in the amount of \$2,657,000.

The special revenue fund is the chief operating fund for the Department. As a measure of the special revenue fund's liquidity, it may be useful to compare the total fund balance of \$336,848,000 to the total fund expenditures of \$3,785,271,000. The total fund balance represents 8.9% of the total fund expenditures.

The Department's governmental funds increased by only \$997,000 due primarily to the continued budget restraints in the current fiscal year caused by the stagnant growth in revenues. The debt service fund had a total fund balance in fiscal year 2010 of \$1,126,000 all which was reserved for the payment of debt service in the current fiscal year.

Capital Asset and Debt Administration

Capital assets

The Department's investment in capital assets for its governmental activities as of June 30, 2010, was \$15,532,649,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure and construction in progress. The Department's investment in capital assets decrease of \$157,339,000 for the current fiscal year was 1.0% less than the prior fiscal year.

Some of the major capital asset events during the current fiscal year included the following:

- Construction continued on the expansion and upgrading of the airport facilities at Baltimore Washington International Thurgood Marshall Airport (BWI Marshall); construction in progress at BWI Marshall as of the close of the current fiscal year was \$115,178,000 compared to \$109,705,000 in the prior fiscal year.
- A variety of widening and/or expansion of existing and new highways and bridges were completed in fiscal year 2010; infrastructure assets as of the close of the current fiscal year reached \$15,272,030,000 compared to \$13,909,900,000 in the prior fiscal year.
- Various transit, port and motor vehicle administration construction projects were also begun in fiscal year 2010; construction in progress for these administrations as of the close of the fiscal year reached \$1,202,302,000 compared to \$1,051,028,000 in the prior fiscal year.
- In 2010, the Department transferred half ownership of the Woodrow Wilson Bridge to the Virginia Department of Transportation in the amount of \$413,770,000. This amount is reported on our financial statements as a *Loss on disposal of capital assets*.

Maryland Department of Transportation
Capital Assets
(net of depreciation)
(amounts expressed in thousands)

<i>Governmental Activities</i>	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Land	\$ 2,315,476	\$ 2,248,986
Buildings and improvements	1,474,364	1,492,238
Machinery and equipment	653,232	650,242
Infrastructure	9,109,184	8,259,511
Construction in progress	1,980,393	3,039,011
Total	\$15,532,649	\$15,689,988

Additional information on the Department’s capital assets can be found in *note 5 on page 42* of this report.

Long-term debt

At the end of the current fiscal year the Department had total bonded debt outstanding of \$1,645,010,000. This is all comprised of the Department’s debt that represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

***Maryland Department of Transportation
Outstanding Debt
(amounts expressed in thousands)***

<i>Governmental Activities</i>	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Consolidated transportation bonds	\$1,645,010	\$1,582,605

The Department’s consolidated transportation debt increased by \$62,405,000 (3.9%) during the current fiscal year. The key factor in this change was the issuance of a new bond series in the current fiscal year offset by the debt service principal payments made during the current fiscal year. The Department maintains a “AAA” rating with Standard & Poor’s Corporation, a “AA” rating with Fitch Ratings and a “Aa2” rating with Moody’s Investors Services, Inc., for its consolidated transportation bonds.

As provided by law, the maximum outstanding aggregate amount of Consolidated Transportation Bonds that may be outstanding is \$2,600,000,000 through June 30, 2010 and thereafter. The aggregate principal amount of those bonds that were allowed to be outstanding as of June 30, 2010 for the Department was \$1,830,010,000, which is higher than the Department’s outstanding transportation-related debt. Additional information on the Department’s long-term debt can be found in *note 10 on pages 47 to 48* of this report.

Capital leases

At the end of the current fiscal year the Department had capital leases outstanding of \$641,252,000.

***Maryland Department of Transportation
Capital Leases
(amounts expressed in thousands)***

<i>Governmental Activities</i>	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Capital leases	\$ 639,514	\$ 673,836

The Department’s capital lease obligations have decreased by \$34,322,000 during the current fiscal year. This decrease is attributable to the decline in construction activity at the various Department’s port and transit facilities and aviation projects and principal repayments. The Department maintains a “AAA” rating with Standard & Poor’s Corporation, a “Aaa” rating with Moody’s Investors Services, Inc. and a “AAA” with Fitch Ratings for Certificates of Participation which are included in capital lease obligations. Additional information on the Department’s capital lease obligations can be found in *note 9 and 10 on pages 44 to 48* of this report.

Special Revenue Fund Budgetary Highlights

The Department's appropriations, between the original and final amended budget, decreased by \$281,488,000 for special funds and also decreased \$70,727,000 for Federal funds during the current fiscal year. The decrease in special fund appropriations was due to mid-year budget restraints enacted throughout the Department. *The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* can be found on page 64 of this report.

Economic Factors and Next Year's Budgets and Rates

Maryland's economic indices showed a mixture of directions for the State this past fiscal year. The employment for the State of Maryland declined by 0.5% for the first three quarters of this year compared to 3.1% decline in 2009. This rate was better than the national average decline rate of 0.9% for the first three quarters of 2010. Maryland's personal income is continuing to rise with growth of 2.4% through the second quarter of 2010. Nationally, personal income grew by 2.2% for the same period.

Maryland appears to have weathered the economic storm. The outlook is becoming more optimistic, but remains cautious as the recovery moves at half-speed. It has taken a combination of close monitoring of revenues and deliberate actions to control both operating and capital costs to maintain fiscal integrity within the State of Maryland. The Department's priority has been to preserve as much of the capital program as possible in order to keep Marylanders working and safe in their travels throughout our State.

Maryland's economy began to return to positive economic growth in the second quarter of fiscal year 2010. This momentum has been enhanced by funding for transportation investments that Maryland received through the American Recovery and Reinvestment Act, enacted by President Barack Obama and the U.S. Congress. Maryland will receive over \$625 million for infrastructure improvements. These funds have helped to offset the decline in revenues and bolster the Department's capital program while State transportation funding recovers and set the stage for future revenue increases.

During the current fiscal year, unreserved fund balance in the special revenue fund increased to \$161,559,000 after the reclassification of reserve for prepaid expenses in the amount of \$90,539,000. The actual GAAP fund balance reported (before the reclassification) in the special revenue fund for fiscal year 2010 was \$252,098,000.

Requests for Information

This Comprehensive Annual Financial Report is designed to provide a general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: *Mr. David L. Fleming, Chief Financial Officer, Office of Finance, MDOT - Secretary's Office, 7201 Corporate Center Drive, Hanover, MD., 21076.*

Maryland Department of Transportation
Comprehensive Annual Financial Report



BASIC FINANCIAL STATEMENTS



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MARYLAND DEPARTMENT OF TRANSPORTATION

Statement of Net Assets

June 30, 2010

(amounts expressed in thousands)

	Total Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 159,008
Cash and cash equivalents - restricted	28,563
Taxes receivable, net	73,281
Intergovernmental receivables	183,834
Other accounts receivable	40,127
Due from other state agencies	215,594
Loans receivable	1,466
Inventories	79,089
Prepays	99,618
Deferred charges	1,054
Capital assets (net of accumulated depreciation):	
Land	2,315,476
Buildings and improvements	1,474,364
Machinery and equipment	653,232
Infrastructure	9,109,184
Construction in progress	1,980,393
Total assets	<u>16,414,283</u>
LIABILITIES:	
Salaries payable	24,974
Accounts payable and other current liabilities	391,963
Accounts payable to political subdivisions	41,946
Due to other state agencies	9,054
Unearned revenue	127,810
Accrued interest payable	28,617
Noncurrent liabilities:	
Due within one year	164,571
Due in more than one year	2,651,933
Total liabilities	<u>3,440,868</u>
NET ASSETS:	
Invested in capital assets, net of related debt	13,171,279
Restricted for:	
Construction projects	2,657
Debt service	1,126
Unrestricted	(201,674)
Total net assets	<u>\$ 12,973,388</u>

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010
(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
Governmental activities:					
Secretary's Office	\$ 459,933	\$ 9,447	\$ 9,002	\$ 16,400	\$ (425,084)
State Highway Administration	1,410,556	40,399	16,925	500,223	(853,009)
Port Administration	186,516	69,781		10	(116,725)
Motor Vehicle Administration	165,933		404	1,177	(164,352)
Transit Administration	818,465	125,057	63,775	186,998	(442,635)
Aviation Administration	272,455	282,646	656	9,336	20,183
Interest on long-term debt	101,481				(101,481)
Total governmental activities	<u>\$ 3,415,339</u>	<u>\$ 527,330</u>	<u>\$ 90,762</u>	<u>\$ 714,144</u>	<u>(2,083,103)</u>
General revenues:					
					1,082,559
					714,210
					153,275
					223,582
					404
					(413,770)
					<u>1,760,260</u>
					(322,843)
					13,296,258
					<u>\$ 12,973,415</u>

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
BALANCE SHEET
Governmental Funds
June 30, 2010

(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund Debt Service	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 159,008		\$ 159,008
Cash and cash equivalents - restricted	27,437	\$ 1,126	28,563
Taxes receivable, net	73,281		73,281
Intergovernmental receivable	183,834		183,834
Other accounts receivable	40,127		40,127
Due from other state agencies	215,594		215,594
Loans receivable	1,466		1,466
Inventories	79,089		79,089
Prepays	90,539		90,539
Total assets	\$ 870,375	\$ 1,126	\$ 871,501
LIABILITIES & FUND BALANCES			
Liabilities:			
Salaries payable	\$ 24,974		\$ 24,974
Warrants payable	38,932		38,932
Accounts payable	353,031		353,031
Accounts payable to political subdivisions	41,946		41,946
Due to other state agencies	9,054		9,054
Deferred revenue	66,716		66,716
Total liabilities	534,653		534,653
Fund balances:			
Reserved for:			
Inventories	79,089		79,089
Prepays	90,539		90,539
Loans receivable	1,466		1,466
Agency activities	412		412
Construction projects	2,657		2,657
Debt service		1,126	1,126
Unreserved, undesignated	161,559		161,559
Total fund balances	335,722	1,126	336,848
Total liabilities and fund balances	\$ 870,375	\$ 1,126	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not in the fund statements			15,532,649
MTA pension prepaid expense			9,079
Deferred charges			1,054
Accrued interest payable on bonds and capital leases not in the fund statements			(28,617)
Long-term liabilities not due and payable in the current period and, therefore are not reported in the fund financial statements, includes the following:			
Unearned revenue			(61,094)
Bonds payable			(1,645,010)
Capital leases			(639,514)
Pollution liability			(155,826)
MTA OPEB liability			(97,600)
Net pension liability			(97,019)
Premium on bonds not liquidated with current financial resources			(79,337)
Workers' compensation costs			(58,620)
Compensated absences			(46,069)
Deferred amount on refunding bonds			2,491
Net assets of governmental activities			\$ 12,973,415

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
Governmental Funds
For the year ended June 30, 2010
(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund Debt Service	Total Governmental Funds
REVENUES:			
Taxes:			
Motor vehicle taxes and fees	\$ 1,082,559		\$ 1,082,559
Motor vehicle fuel taxes and fees	714,210		714,210
Revenue sharing of state corporation income tax	153,275		153,275
Revenue sharing of state sales tax	223,582		223,582
Federal reimbursements	804,906		804,906
Charges for services	419,691		419,691
Passenger facility charges	44,054		44,054
Special airport financing charges	45,467		45,467
Investment earnings	394	\$ 10	404
Other	18,118		18,118
Total revenues	<u>3,506,256</u>	<u>10</u>	<u>3,506,266</u>
EXPENDITURES:			
Current:			
Department administration, operating, and maintenance expenditures:			
Secretary's Office	126,849		126,849
State Highway Administration	343,014		343,014
Port Administration	73,934		73,934
Motor Vehicle Administration	148,720		148,720
Transit Administration	547,796		547,796
Aviation Administration	207,498		207,498
Intergovernmental:			
Highway user revenue distributions and federal fund pass-thru to local subdivisions	255,164		255,164
Washington Metropolitan Area Transit Authority Grants	296,522		296,522
Distributions to other state agencies	401,930		401,930
Debt service:			
Principal repayment		77,595	77,595
Interest		73,359	73,359
Capital outlay	1,232,890		1,232,890
Total expenditures	<u>3,634,317</u>	<u>150,954</u>	<u>3,785,271</u>
Excess of revenues over (under) expenditures	<u>(128,061)</u>	<u>(150,944)</u>	<u>(279,005)</u>
OTHER FINANCING SOURCES (USES):			
Bonds issued	140,000		140,000
Premium on bonds	2		2
Sale of assets/advanced lease payments	140,000		140,000
Debt service transfer	(145,037)	145,037	
Total other financing sources and uses	<u>134,965</u>	<u>145,037</u>	<u>280,002</u>
Net change in fund balances	6,904	(5,907)	997
Fund balances, July 1, 2009	328,818	7,033	335,851
Fund balances, June 30, 2010	<u>\$ 335,722</u>	<u>\$ 1,126</u>	<u>\$ 336,848</u>

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the year ended June 30, 2010
(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 32)	\$	997
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,232,890	
Depreciation expense	(878,817)	
Loss on disposal of capital assets	<u>(413,770)</u>	
		(59,697)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued, transportation bonds	(140,000)	
Capital leases	(315)	
Unearned revenue	(61,094)	
MTA OPEB obligation	(33,100)	
Net pension obligation	(17,381)	
Premium on bonds issued	(631)	
Principal repayment	77,595	
Capital leases retired	34,637	
Amortized premium	9,419	
Amortized deferred amount on refunding bonds	<u>(1,114)</u>	(131,984)

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		(132,159)
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Change in net assets of governmental activities (page 30)	\$	(322,843)
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The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

(amounts expressed in thousands)

	Maryland Transit Administration Pension Plan Trust Fund	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 3,597	\$ 54,913
Investments, at fair value:		
Equity securities pool	61,176	
Fixed income pool	26,924	
Alternative investments pool	27,639	
Real estate pool	1,508	
Total investments	117,247	
Contributions receivable	8,600	
Accounts receivable	1,852	5
Total assets	131,296	\$ 54,918
LIABILITIES:		
Accounts payable	1,852	\$ 54,918
Total liabilities	1,852	\$ 54,918
NET ASSETS:		
Held in trust for pension benefits	\$ 129,444	

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2010
(amounts expressed in thousands)

	Maryland Transit Administration Pension Plan Trust Fund
ADDITIONS:	
Contributions from employer	\$ 37,761
Investment earnings:	
Interest income	7,875
Net increase in fair value of investments	4,100
Net investment earnings	11,975
Total additions	49,736
DEDUCTIONS:	
Benefits	21,754
Administrative expenses	566
Total deductions	22,320
Change in net assets	27,416
Net assets, July 1, 2009	102,028
Net assets, June 30, 2010	\$ 129,444

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Significant Accounting Policies:

A. Reporting entity:

The Maryland Department of Transportation (Department), a department of the State of Maryland, was established by statute in 1971. The Department is responsible for carrying out the Governor's policies in the area of transportation under statutory mandates, guidelines and constraints established by the State's General Assembly. The Department has the responsibility for most state-owned transportation facilities and programs, including planning, financing, construction, operation and maintenance of various modes of transportation and carrying out related licensing and administrative functions. The statutorily created transportation agencies included in the Department are the Maryland Aviation Administration (MAA), Maryland Port Administration (MPA), Motor Vehicle Administration (MVA), Maryland Transit Administration (MTA), State Highway Administration (SHA) and the Secretary's Office (TSO).

The accompanying financial statements include the Department, which has no component units. The Maryland Transportation Authority (Authority) is a separate entity with separate fiscal operations and management, and accordingly, is excluded from the financial reporting entity of the Department, since it does not qualify for inclusion under Governmental Accounting Standards Board (GASB) Statement No. 14 because it is not financially accountable to the **Department**.

B. Government-wide and fund financial statements:

The Department's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the government. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. The Department's governmental activities are supported primarily by taxes, intergovernmental revenues and charges for services. Fiduciary funds are excluded from the Department's government-wide and fund financial statements, as fiduciary assets are not available for the Department's use.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the fiduciary fund (Maryland Transit Administration Pension Plan Trust Fund).

C. Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized in the financial statements as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability or obligation is incurred as a result of goods or services rendered, as under accrual accounting. However, under the modified accrual basis, debt service expenditures are recorded only when payment is due. Compensated absences, retirement and workers' compensation costs and claims, judgments and other liabilities not expected to be paid with current available resources are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Motor vehicle taxes, motor vehicle fuel taxes, charges for services, Federal reimbursements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Department.

The Department collects and receives various types of motor vehicle taxes and fees. These taxes and fees consist primarily of a portion of the motor vehicle fuel taxes, motor vehicle titling taxes and motor vehicle registration fees. The Department accrues the June motor vehicle fuel taxes and titling taxes that are unremitted as of year-end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the Department in July and thereafter by merchants who collect these taxes. Expenditure-driven Federal grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met and the reimbursement funding is available from the Federal government.

The Department reports the following major governmental fund:

Special Revenue Fund:

Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the special revenue fund. The special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Department, including construction and improvement of transportation facilities and mass transit operations. Fiscal resources dedicated to transportation operations include the excise taxes on motor vehicle fuel and motor vehicle titles, a portion of the State's corporation income tax and the State's sales tax, wharfage and landing fees, fare box revenues, bond proceeds, Federal grants for transportation purposes and other receipts of the Department's agencies. The Department's unexpended balances as of year-end do not revert to the State's general fund. In addition, the various categories of transportation bonds are serviced from the resources of the Department. The particular taxes and other designated revenues are dedicated to the payment of transportation bonds and constitute the sole sources to which holders of transportation bonds may legally look for repayment.

The Department reports the following non-major governmental fund:

Debt Service Fund:

Transactions related to the resources accumulated and payments made for principal and interest on long-term transportation debt of governmental funds are accounted for in the debt service fund.

Additionally, the Department reports the following fund types:

Pension Trust Fund:

The pension trust fund accounts for the activities of the Maryland Transit Administration Pension Plan, which accumulates resources for pension benefit payments to qualified Maryland Transit Administration employees. The pension trust fund accounts for plan assets at their fair value. Additional information regarding the Maryland Transit Administration Pension Plan is included in Note 15. The accounts of the pension trust fund are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded in the fiduciary fund financial statements when earned, administrative expenses are recorded at the time the liabilities are incurred and pension benefits are recorded when paid.

Agency Fund:

The agency fund is custodial in nature and does not present the results of operations or have a measurement focus. The Department uses an agency fund to account for the receipt and disbursement of Federal grant proceeds collected by the Department for distribution to political subdivisions and the accumulation of and payment of funds for debt service issued under the alternative county transportation bond program. When both restricted and unrestricted resources are available for use, the Department's policy is to use unrestricted resources first and then restricted resources as they are needed.

D. Assets, liabilities and net assets or equity:

1. Deposits and investments:

The Department's cash on hand, demand deposits and short-term investments maturing within 90 days from the date purchased are considered as cash and cash equivalents. The Department's investments are recorded at fair value and changes in fair value are recognized as revenue. The cash and cash equivalents and investments of the Pension Trust Fund are maintained by the State Retirement and Pension System of Maryland (System) on a pooled basis. The System, in accordance with Article 73B, Section 160 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that not more than 15% of the assets that are invested in common stocks may be invested in non-dividend paying common stock. The System's investments are commingled in three combined investment funds. Two investment funds consist principally of bonds and other fixed income investments, while the other investment fund consists principally of common stocks.

2. Receivables and payables:

Amounts due to the Department from various tax revenue sharing programs are recorded as taxes receivable, while amounts due to the Department from the Federal government are reported as intergovernmental receivables. Amounts representing balances due from the Maryland Transportation Authority and the State's General Fund are reported as due from other state agencies. Amounts representing balances due to the Maryland Transportation Authority and the State's General Fund are reported as due to other state agencies. Amounts representing balances due to political subdivisions are reported as accounts payable to political subdivisions.

3. Inventories and prepaid items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital assets:*

Capital assets, which include land, buildings and improvements, machinery and equipment, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Cost on constructed assets includes materials, labor, design and any other costs directly related to putting the asset in use. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Buildings and improvements	5-50
Transit vehicles and equipment	10-25
Other vehicles	3-10
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-50

5. *Compensated absences:*

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the State. All vacation pay is accrued when earned in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and/or retirements. Principally all full-time State employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned, but unused annual leave for the Department's employees, is accounted for in the government-wide financial statements.

6. *Long-term obligations:*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as debt issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period the debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as operating expenditures.

7. *Fund equity:*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

E. New pronouncements:

The GASB has issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," which establishes accounting and reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks and computer software. The requirements of this statement are effective for fiscal periods beginning after June 15, 2009 and have been implemented by the Department with no material effect on the financial statements.

The GASB has issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" which establishes accounting and financial reporting for derivative instruments entered into by state and local governments. The requirements of this statement are effective for fiscal periods beginning after June 15, 2009 and have been implemented by the Department with no material effect on the financial statements.

The GASB has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this statement are effective for fiscal periods beginning after June 15, 2010 and will be implemented by the Department in the FY2011 CAFR.

The GASB has issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies" which establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for fiscal periods beginning after June 15, 2009 and have been implemented by the Department with no material effect on the financial statements.

2. Reconciliation of Government-wide and Fund Financial Statements:

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *total net assets – total governmental activities* as reported in the government-wide statement of net assets. The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between the *net change in fund balance – total governmental funds* and the *change in net assets of governmental activities* as reported in the government-wide statement of activities.

3. Deposits and Investments:

As of June 30, 2010, the Department had the following investments:

(amounts expressed in thousands)

Investment Type	Fair Value
Money Markets - Agency Funds	\$ 54,913
Pooled investments - Pension Trust Fund	120,844
State Treasurer's pooled – Special Fund	159,008
Restricted investments – Special Fund	28,563
Total investments at fair value	\$363,328

Interest rate risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Maryland State Treasurer policy on all of the Department's investments. The Maryland State Treasurer's investment policy states that to the extent possible, it will

attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Maryland State Treasurer will not directly invest in securities maturing more than five years from the date of purchase. The Department followed this policy for all of its investments.

Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department's policy for reducing its exposure to credit risk is to comply with the Maryland State Treasurer policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. agency obligations. These agency obligations are rated Aaa by Moody's and AAA by Standard and Poor's. State law also requires that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by U.S. Treasuries or agencies. The money market mutual funds are rated Aaa/AAA.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Department's policy for reducing this risk of loss is to comply with the Maryland State Treasurer policy, which states the investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Other than that, there is no limit on the amount that may be invested in any one issuer.

Custodial credit risk - deposits and investments:

Custodial credit risk is the risk that, in the event of a bank failure, the Department's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Department's name. The Department does not have a formal deposit policy for custodial credit risk, but follows the Maryland State Treasurer's policy that states the Treasurer may deposit in a financial institution in the State any unexpended or surplus money in which the Treasurer has custody. As of June 30, 2010, none of the Department's bank balance of \$159,008,000 was uninsured or uncollateralized; none was uninsured or collateralized with securities held by the pledging financial institution; and none were uninsured or collateralized with securities held by the pledging financial institution's trust department or fiscal agent, but not in the Department's name. The Maryland State Treasurer (i.e., law, regulation or formal policy) defines the types of securities authorized as appropriate investments for the Department and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. As of June 30, 2010 the Department reported a total of \$28,563,000 in cash and cash equivalents – restricted on the Department's balance sheet. This amount consists of \$27,437,000 restricted cash for the capital lease activity related to the MAA BWI Airport projects (i.e., parking garage, rental car facility) and \$1,126,000 restricted cash for debt service payments in FY2010.

The Maryland State Treasurer authorizes the Department to invest in obligations of the U.S. Treasury including bills, notes, and bonds; obligations of U.S. agencies and instrumentalities; repurchase agreements secured by an U.S. Treasury agency; instrumentality obligations or banker's acceptances guaranteed by a financial institution with the highest short-term debt rating by at least one nationally recognized statistical rating organization (NRSRO); commercial paper with the highest rating by at least one NRSRO; shares or certificates in a money market mutual fund as defined by the Maryland State Treasurer; and Maryland local government pooled with short-term investments.

4. **Receivables and Deferred Revenue:**

The Department's receivables as of June 30, 2010 for the individual funds are as follows:
(amounts expressed in thousands)

Receivables:	Special Revenue	Trust & Agency	Total
Taxes	\$ 73,281		\$ 73,281
Intergovernmental	183,834		183,834
Other accounts receivable	40,127	\$1,857	41,984
Due from other state agencies	215,594		215,594
Loans receivable	1,466		1,466
Net total receivables	\$514,302	\$1,857	\$516,159

The Department's *Taxes receivable* consist of receivables recorded at year-end for the Motor Vehicle Fuel Tax Division in the amount of \$48,890,000 and the Motor Vehicle Administration's titling tax in the amount of \$24,391,000. The Department's *Intergovernmental receivables* consist of receivables from the Federal government in the amount of \$180,788,000 and from the local subdivisions in the amount of \$3,046,000. The Department's *Other accounts receivable*, of \$40,127,000, consist of miscellaneous receivables recorded at fiscal year-end across the Department.

A balance of \$75,070,000 is reported as *Due from other state agencies* in the Special Revenue Fund for the amount due from the State Comptroller's Revenue Administration Division for cash transfers not transferred to the Department as of June 30, 2010. Also as of June 30, 2010, \$74,264,000 is reported as *Due from other state agencies* in the Special Revenue Fund for the amount due from the Maryland Transportation Authority for the Inter-County Connector project. Also as of June 30, 2010, \$50,254,000 is reported as *Due from other state agencies* in the Special Revenue Fund for the amount due from the Maryland Transportation Authority for Passenger Facility Charge (PFC) and parking/rental car revenue collections. As of June 30, 2010, \$16,006,000 is reported as *Due from other state agencies* in the Special Revenue Fund for the amount due from the Maryland Department of Budget and Management for health benefits refund.

As of June 30, 2010, a balance of \$1,466,000 is reported as *Loans receivable* in the Special Revenue Fund on the accompanying balance sheet for a loan agreement with Prince George's County for the county constructed offsite infrastructure related to FedEx Field, formerly known as Jack Kent Cooke Stadium. Also included in *Loans receivable* is \$300,000, which represents a separate loan to Prince George's County for the design and construction of the Addison Road Metrorail Station Parking Garage. The Department's *Loans receivable* balance pertaining to these two amounts that are due beyond one year is \$1,166,000.

The Department's governmental funds reported *Deferred revenue* in connection with resources that have been received, but not yet earned was \$66,716,000 as of June 30, 2010. As of June 30, 2010, the Department reported *Deferred revenue* in the governmental funds for customer prepayments of future airport services to be provided for in the amount of \$2,247,000, and the amount of \$14,215,000 for revenues collected by the State Highway Administration for advanced contract payments made by third-party vendors. As of June 30, 2010, the Department reported *Deferred revenue* in the governmental funds in the amount of \$50,254,000 recorded for the balance in the MAA PFC's and Customer Facility Charge (CFC) Improvement Funds.

5. **Capital Assets:**

The Department's *Capital assets* activity by asset classification, including accumulated depreciation, for the year ended June 30, 2010, was as follows:

(amounts expressed in thousands)

Capital Assets - Governmental activities	Balance July 1, 2009	Increases	Decreases	Transfers In (Out)*	Balance June 30, 2010
<i>Capital assets not depreciated:</i>					
Land	\$ 2,248,986	\$ 72,500	\$ (1,209)	\$ (4,801)	\$ 2,315,476
Construction in progress	3,039,011	572,358	(7,344)	(1,623,632)	1,980,393
Total capital assets not depreciated	5,287,997	644,858	(8,553)	(1,628,433)	4,295,869
<i>Capital assets depreciated:</i>					
Building & improvements	2,326,370	36,282	(11,030)	43,431	2,395,053
Machinery & equipment	1,799,496	33,823	(105,376)	144,997	1,872,940
Infrastructure	16,649,031	517,927	(11,665)	1,026,235	18,181,528
Total capital assets depreciated	20,774,897	588,032	(128,071)	1,214,663	22,449,521
<i>Accumulated depreciation for:</i>					
Building & improvements	(834,132)	(87,859)	1,302	-	(920,689)
Machinery & equipment	(1,149,254)	(106,335)	35,881	-	(1,219,708)
Infrastructure	(8,389,520)	(684,623)	1,799	-	(9,072,344)
Total accumulated depreciation	(10,372,906)	(878,817)	38,982	-	(11,212,741)
Net capital assets after depreciation	10,401,991	(290,785)	(89,089)	1,214,663	11,236,780
Net total capital assets – governmental activities	\$15,689,988	\$354,073	\$(97,642)	\$(413,770)	\$ 15,532,649

Note:* The Department reported a large decrease in capital assets for the transfer of assets from the State Highway Administration (SHA) to an another governmental agency and was completed with an ownership agreement with the State of Virginia (VDOT) for half ownership of the completed Woodrow Wilson Bridge project in the amount of \$413,770,000. These assets were transferred from SHA to VDOT in FY2010.

Depreciation expense charged to the Department's modal administration/functions in the Statement of Activities as of June 30, 2010 is as follows:

(amounts expressed in thousands)

Depreciation Expense - Governmental Activities:	
Secretary's Office	\$ 3,597
State Highway Administration	631,368
Port Administration	30,351
Motor Vehicle Administration	10,213
Transit Administration	126,893
Aviation Administration	76,395
Total depreciation expense - governmental activities	\$ 878,817

6. Construction Commitments:

The Department has active construction commitments outstanding as of June 30, 2010 of approximately \$3,254,724,000, principally for construction of highway, aviation and transit projects. Approximately 52.4% of future expenditures, related to these commitments of the Department, are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining balance will be funded by other financial resources of the Department, including the issuance of long-term debt. As of June 30, 2010, the Department’s commitments with contractors are as follows:

(amounts expressed in thousands)

Construction projects	Spent-to-date	Remaining commitment
Highway construction	\$2,788,648	\$2,123,789
Port construction	155,058	439,587
Motor vehicle construction	74,728	116,472
Transit construction	740,562	337,480
Aviation construction	477,286	237,396
Total projects	\$4,236,282	\$3,254,724

7. Interfund Transfers:

The interfund transfers for the Department for the year ended June 30, 2010, is as follows:

(amounts expressed in thousands)

Transfers In	Transfers Out	Amount
<i>Debt service fund</i>	Special revenue fund	\$145,037

The purpose of this interfund transfer is to record the amount of revenue transferred from the special revenue fund to the debt service fund for debt service principal and interest payments. This transfer is reported on the Statement of Revenues, Expenditures and Changes in Fund Balances for the year ended June 30, 2010 as a *Debt service transfer* under Other Financing Sources (Uses).

8. Due from/Due to Other State Agencies:

The amount reported as *Due from other state agencies* of \$215,594,000, is comprised of \$75,070,000 due from the State’s Corporation and Sales Tax Division for cash transfers that were transferred to the Department after June 30, 2010; \$23,141,000 (PFC’s) and \$27,113,000 (CFC’s), both that were due from the Maryland Transportation Authority for PFC revenues and rental car revenues collected, respectively, on its behalf, as of June 30, 2010; and \$74,264,000 due from the Authority for the Inter-County Connector (ICC) project. Also reported as *Due from other state agencies* is the amount of \$16,006,000 which represents the Department of Budget and Management Health Benefits that were due to the Department as of June 30, 2010.

The amount reported as *Due to other state agencies* within the Special Revenue Fund in the accompanying balance sheet includes \$9,054,000 which represents the amount due to the State’s General Fund for motor vehicle fuel tax that was not transferred as of June 30, 2010.

9. Operating and Capital Leases:

Operating Leases:

The Department leases office space under various agreements that are accounted for as operating leases. Rent expense under these agreements was \$2,166,000 for the year ended June 30, 2010.

The future minimum operating lease payments under these agreements as of June 30, 2010, are as follows:

(amounts expressed in thousands)

Years Ending June 30,	Operating Leases Future Minimum Payments
2011	\$ 1,165
2012	393
2013	393
2014	393
2015	282
2016 – 2020	149
Total operating leases	\$2,775

Capital Leases:

The Department has entered into several lease agreements for the financing of various transportation related projects. The Department has also entered into agreements with the Maryland Transportation Authority for the financing of various aviation projects. The Department has reported obligations under capital leases of \$639,514,000 as of June 30, 2010. The Department's activity related to capital leases is included in the table in note 10 (see section titled Changes in long-term liabilities). The Department's capital lease obligations as of June 30, 2010 are as follows:

- \$20,070,000 in obligations related to Project Certificates of Participation for the Maryland Aviation Administration Facilities, Series 1999, issued on May 11, 1999, at annual interest rates ranging from 4.75-5.00%;
- \$13,390,000 in obligations related to Project Certificates of Participation for the Maryland Transit Administration Project, Series 2000, issued on October 18, 2000, at annual interest rates ranging from 5.00-5.50%;
- \$12,615,000 for the Maryland Transportation Authority's financing of the Port Administration's Masonville Automobile terminal at an annual interest rate of 5.5%;
- \$207,635,000 minimum payments, on long-term obligations related to the financing of BWI Marshall Airport parking and roadway projects. Bonds associated with this agreement were issued by the Maryland Transportation Authority in the amount of \$264,075,000 on March 5, 2002 at annual interest rates ranging from 4.0-5.5%;
- \$102,193,000 minimum payments related to the financing of BWI Marshall Airport Consolidated Rental Car Facility. Bonds associated with this agreement were issued by the Maryland Transportation Authority in the amount of \$117,345,000 on June 18, 2002 at annual interest rates ranging from 2.74-6.65%;
- \$26,090,000 for the Maryland Economic Development Corporation bond issuances for the financing of the Department's headquarters building, original bonds issued on June 27, 2002, refunding bonds issued May 25, 2010 at annual interest rates ranging from 3.0-4.5%;
- \$23,676,000 minimum payments, on long-term obligations related to the financing of BWI Marshall Airport's various airport improvement projects. Variable rate demand bonds were issued by the Maryland Transportation Authority in the amount of \$69,700,000 on December 16, 2003 at a variable interest rate. As of June 30, 2010, the interest rate was 0.28% per annum;
- \$201,015,000 (minimum lease payments until bond proceeds are expended) for the Maryland Economic Development Corporation bond issuance for the Maryland Aviation Facilities, issued on April 3, 2003, at annual interest rates ranging from 4.5-5.5%;

- \$9,000,000 in obligations related to Certificates of Participation for the BWI Marshall Airport Shuttle Bus Fleet Acquisition, Series 2004, issued on October 7, 2004, at annual interest rates ranging from 2.75-3.60%;
- \$23,830,000 in obligations related to Certificates of Participation for the Maryland Port Administration Facility Project, Series 2006, issued on June 14, 2006, at annual interest rates ranging from 4.25-5.25%;

As bond proceeds are spent for construction, the Department's liability (or minimum payments) and related capital assets will increase, accordingly. Once construction is completed, the Construction in Progress asset will become a Building or Infrastructure asset. The future minimum capital lease obligations and the net present value of these minimum lease payments as of June 30, 2010, are as follows:

(amounts expressed in thousands)

Years Ending June 30,	Amount
2011	\$ 68,065
2012	68,625
2013	69,020
2014	69,157
2015	60,177
2016 – 2020	277,606
2021 – 2025	246,022
2026 – 2030	160,628
2031 – 2035	26,418
Total minimum lease payments	1,045,718
Less: amount representing interest	(370,978)
Less: funds held by bond trustee	(35,226) (a)
Present value of minimum lease payments	\$ 639,514

- (a) The reduction shown in the amount of \$35,226,000 are monies held by the bond trustee on behalf of the Maryland Transportation Authority to be used primarily for construction expenditures. The capital assets acquired through capital leases as of June 30, 2010 are as follows:

(amounts expressed in thousands)

Capital Asset	Amount
Construction in progress	\$ 43,283
Land and improvements	16,266
Buildings and improvements	731,412
Machinery and equipment	63,023
Infrastructure	282,805
Total acquired capital assets	1,136,789
Less: accumulated depreciation	(264,863)
Total capital assets – net	\$ 871,926

10. Long-term Liabilities:

A. Transportation bonds:

The Department issues Consolidated Transportation Bonds to provide funds for the acquisition and construction of major capital facilities. Consolidated Transportation Bonds are limited obligations issued by the Department for highway, port, airport, rail or mass transit facilities or any combination of such facilities. The principal must be paid within 15 years from the date of issue. As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$2,600,000,000 through June 30, 2010 and thereafter. The aggregate principal amount of those bonds that were allowed to be outstanding as of June 30, 2010 was \$1,830,010,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2010 was \$1,645,010,000. Consolidated Transportation Bonds are paid from the Debt Service Fund.

The Department's Transportation Bonds outstanding as of June 30, 2010, were as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Consolidated Transportation Bonds - due serially through 2024 – for state transportation activity	3.0-5.5%	\$ 1,593,655
Consolidated Transportation Bonds, refunding – due serially through 2014 – for state transportation activity	5.0%	51,355
Total consolidated transportation bonds		\$ 1,645,010

Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporate income tax and a portion of the State sales tax credited to the Department. These amounts are applicable to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment. Under the terms of authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued provided, among other conditions, that (i) total receipts (excluding Federal funds for capital projects, bond and note proceeds and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and (ii) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

On June 24, 2010, Consolidated Transportation Bonds (Tax-Exempt) in the amount of \$14,000,000 were issued by the Department with a net premium of \$630,672 (less the issuance costs). These Bonds are dated June 24, 2010, with maturities ranging from June 15, 2013 to June 15, 2015, with interest rates ranging from 2.0% to 3.0%.

On June 24, 2010, Consolidated Transportation Bonds (Federally Taxable – Issue Subsidy - Build America Bonds) in the amount of \$126,000,000 were issued by the Department with a net discount of \$461,986 (less the issuance costs). These Bonds are dated June 24, 2010, with maturities ranging from June 15, 2016 to June 15, 2025, with interest rates ranging from 3.15% to 4.65%.

Annual debt service requirements to maturity for transportation bonds in future years are as follows:
(amounts expressed in thousands)

Year Ending June 30,	Consolidated Transportation Bonds – Principal	Consolidated Transportation Bonds – Interest	Total Transportation Bonds Debt Service Requirements
2011	\$ 83,170	\$ 75,492	\$ 158,662
2012	102,845	71,672	174,517
2013	109,340	66,908	176,248
2014	130,620	61,480	192,100
2015	147,280	55,421	202,701
2016-2020	696,000	168,717	864,717
2021-2025	375,755	40,047	415,802
Total	\$1,645,010	\$539,737	\$2,184,747

B. Changes in long-term liabilities:

The Department's long-term liability activity for the year ended June 30, 2010, is as follows:
(amounts expressed in thousands)

Governmental activities:	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Due Within One Year
Transportation bonds *	\$1,582,605	\$140,000	\$(77,595)	\$1,645,010	\$83,170
Capital leases *	673,836	315	(34,637)	639,514	34,525
Pollution obligations	155,826	-	-	155,826	-
MTA OPEB obligations	64,500	33,100	-	97,600	-
Net Pension obligations	82,169	14,850	-	97,019	-
Premium on bonds *	88,125	631	(9,419)	79,337	8,760
Worker's compensation costs	57,649	14,191	(13,220)	58,620	9,086
Compensated absences	41,364	33,488	(28,783)	46,069	28,455
Less: Deferred amount on refunding bonds *	(3,605)	-	1,114	(2,491)	575
Total long-term liabilities – governmental activities	\$2,742,469	\$236,575	\$(162,540)	\$2,816,504	\$164,571

Note: * These items are combined for the net related debt calculation on the *Statement of Net Assets* section entitled Net Assets for *Invested in capital assets, net of related debt*.

The Department's long-term liabilities, other than transportation bonds, are generally liquidated through the special revenue fund. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2010.

11. Risk Management and Insurance:

The Department is self-insured for workers' compensation liabilities. The Department's workers' compensation self-insured liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using a 4% discount rate. The workers' compensation costs are based upon separately determined actuarial valuations for the fiscal year ended June 30, 2010.

The Department's workers' compensation self-insurance program is administered by the Injured Worker's Insurance Fund under a contract which requires that the Department pay premiums based upon loss experience plus a proportionate share of administrative costs. In the event of termination of the contract, the Department is obligated for any premium deficiency at the time of termination. The Department's accrued workers' compensation costs, as of June 30, 2010, were \$58,620,000. The activity related to accrued workers' compensation costs is included in the table in note 10 (section titled Changes in long-term liabilities).

Changes in the balances for the Department's workers' compensation liability during the past two fiscal years are as follows: *(amounts expressed in thousands)*

	Fiscal Year Ending June 30, 2010	Fiscal Year Ending June 30, 2009
Unpaid claims, beginning of fiscal year	\$57,649	\$57,349
Incurred claims and changes in estimates	14,191	11,589
Claim payments	(13,220)	(11,289)
Total unpaid claims, end of fiscal year	\$58,620	\$57,649

The operations of the Department's Maryland Aviation, Maryland Port and Maryland Transit Administrations are covered by commercial liability insurance policies and many claims are handled by the Department's insurance carriers.

The Maryland Aviation Administration's two facilities, Baltimore Washington International Thurgood Marshall Airport and Martin State Airport, are covered by an airport owners and operators general liability insurance policy providing coverage per occurrence up to \$500,000,000 for bodily injury and property damage. This policy also contains a control tower liability endorsement that provides coverage for an occurrence arising out of the direct operation of the control tower at Martin State Airport. This policy no longer contains the war, hi-jacking and other perils endorsement due to the events of September 11, 2001. This endorsement is available for buy back for an additional premium.

The Maryland Port Administration's liability insurance policies, including excess liability policies, provide insurance up to \$150,000,000 per occurrence for its port operations. These policies cover liability for both injury and property damage.

The Maryland Transit Administration's (MTA) operations are covered by \$495,000,000 in excess liability insurance over and above the MTA's \$5,000,000 self-insurance retention. For CSX and Amtrak commuter service, the MTA has purchased insurance to cover its contractual obligations. The insurance provides coverage for excess liability claims of \$5,000,000 to \$495,000,000; claims under \$5,000,000 are self-insured by the Department. However, to comply with the provisions of the operating agreement with CSX, the MTA has entered into a \$5,000,000 standby letter of credit against which CSX may draw in the event claims exceed, in the aggregate for an occurrence, the amount of \$250,000. No claims were made against the letter of credit during the current fiscal year. In addition, the excess liability policies provide punitive damages liability coverage and Federal Employee Liability Act coverage to CSX arising from commuter rail operations for claims ranging from \$5,000,000 to \$495,000,000.

The amount of any settlements, within the Department, did not exceed the insurance coverage in each of the past three fiscal years. For those areas not covered by purchased insurance, the State Treasurer has a program of self-insurance for tort claims. By statute, bodily injury, personal injury or property damages are limited to claims of \$200,000 per claimant under the established self-insurance program.

12. Related Party Transactions:

Various State of Maryland agencies provide services for the Department for which they are reimbursed from the Department. During fiscal year 2010, such reimbursements are reflected as *Distributions to other state agencies* in the Special Revenue Fund. An Operations Agreement was made between the Maryland Transportation Authority (Authority) and the Maryland Port Administration (MPA) in January 1997, governing the operation of both the Seagirt Marine Terminal and the Intermodal Container Transfer Facility (ICTF). In consideration for the occupancy and use of the Seagirt Marine Terminal and the ICTF, constructed by the Authority, the MPA paid the Authority a fee of \$4,817,000 for fiscal year 2010. During January 2010 there was a new Operations Agreement enacted for the management and operations of Seagirt Marine Terminal by an outside private entity, which agreed to pay-off the debt to the Authority for Seagirt Marine Terminal in consideration for taking over the daily operations of the terminal, which is being leased to the private entity by the MPA.

13. Contingent Liabilities:

The Department is involved in numerous lawsuits arising in the normal course of its operations, including actions commenced and claims asserted against the Department for alleged property damage, personal injury, breaches of contract or other alleged violations of law. Additionally, the Department is currently involved in certain legal proceedings relative to a case concerning unreasonable discrimination and mass transit accident cases concerning train passenger injuries or death. In the opinion of Department officials, based on the advice of the Attorney General, such matters are covered by insurance or otherwise would not have a materially adverse effect on the Department's financial position as of June 30, 2010. Also, the Department believes no material exposure from unasserted claims exists as of June 30, 2010.

14. Other Postemployment Benefits (OPEB):

A. State Employee and Retiree Health and Welfare Benefits Program of Maryland:

Plan Description:

The members of the Maryland State Retirement, Pension and Law Enforcement Officers' Systems and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (OPEB Plan). The OPEB Plan is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The OPEB Plan is self-insured to provide medical, hospitalization, prescription drugs and dental insurance benefits to eligible State employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary of DBM shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

Effective June 1, 2004, the State of Maryland established the Postretirement Health Benefits Trust Fund (OPEB Trust) as a separate entity to receive appropriated funds and contributions which will be used to assist the OPEB Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is established in accordance with the State Personnel and Pensions Article, Section 34-101, of the Annotated Code of Maryland and is administered by the Board of Trustees for the State Retirement and Pension System. Financial statements of the OPEB Trust may be obtained from the *Office of the Maryland Comptroller, Treasury Building, Annapolis, MD 21401*. A separate valuation is not performed by the Department. The Department's only obligation to the OPEB Plan is its required annual contribution.

Funding Policy:

The contribution requirements of the OPEB Plan members and the State are established by the DBM Secretary. Each year the DBM Secretary recommends to the Maryland Governor the State's share of the costs of the OPEB Plan. Beginning in fiscal year 2008, Maryland State law requires DBM to transfer any subsidy received as a result of the Federal Medicare Prescription Drug Improvement Act of 2003 or a similar subsidy to the OPEB Trust to prefund the costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget to transfer to the OPEB Trust.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with a least five years of creditable service, ended State service with a least 10 years of creditable service and within five years before the age at which a vested retirement allowance normally would begin or ended State service with a least 16 years of creditable service. Based on current practice, the State subsidizes approximately 50 to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The OPEB Plan assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for current employees. The Department's share of these retirees health insurance costs were \$18,326,000 for the year ending June 30, 2010 and was included in the health care costs allocated to all participating employers. The cost of these benefits is expensed when paid.

B. Maryland Transit Administration Pension Plan - OPEB:

Plan Description:

The members of the Maryland Transit Administration Pension Plan are provided postemployment health care benefits through the State Employee and Retiree Health Plan or the MTA Health Plan. The MTA currently funds retirees' health care cost on a pay-as-you-go basis. As retirees incur expenses, the MTA pays out funds based on the appropriate benefit structure. The MTA does not currently have a separate fund set aside to pay health care costs. The MTA provides health care coverage for over 2,800 retirees. Retirees make the same contributions as active employees, however, Medicare contributions are handled separately.

Funding Policy:

The Department is required by law to provide funding each year to the OPEB Plan for the Department's share of the pay-as-you-go amount necessary to provide current benefits to retired employees and their dependents. The MTA healthcare benefits including Medical (PPO or HMO), prescription drug, dental and vision plans are provided to retirees meeting the following eligible criteria:

1. Age 65 with 5 years of service
2. Age 52 with 30 years of service
3. Age 55 with a least 30 years of service, including military and other qualifying service credits
4. Disabled with 5 years of service
5. Surviving spouse subsidized benefit for 3 years

Annual OPEB Costs and Net OPEB Obligation:

The Department's annual OPEB cost, related to the MTA Pension Plan, is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities over a period not to exceed 30 years. The annual OPEB cost and net OPEB obligation for the Maryland Transit Administration Pension Plan as of June 30, 2010 was:

(amounts expressed in thousands)

Annual required contribution (ARC)	\$45,500
Interest on OPEB obligations	2,900
Adjustment to the OPEB ARC	<u>(4,200)</u>
Net OPEB costs	44,200
Contributions made in current fiscal year	(10,900)
Interest on benefit payments	<u>(200)</u>
Increase in OPEB obligation	33,100
Net OPEB obligation beginning of year	<u>64,500</u>
Net OPEB obligation end of fiscal year	<u>\$97,600</u>

The Schedule of Employer Contributions for the OPEB of the Maryland Transit Administration Pension Plan as of June 30, 2010 was:

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Annual Contribution	Net OPEB Obligation	Percentage Contributed
2008	\$41,200	\$ 9,700	\$31,500	23.5%
2009	43,100	10,100	64,500	23.4
2010	44,200	10,900	97,600	24.7

Funded Status and Funding Progress:

The funded status of the OPEB Plan for the Maryland Transit Administration Pension Plan as of June 30, 2010, was:

(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability UAAL)	Funded Ratio	Covered Payroll	Percentage of UAAL over Covered Payroll
7/1/2007	\$-	\$411,400	\$411,400	0.0%	\$144,775	284.2%
6/30/2009	-	431,500	431,500	0.0	151,560	284.7

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial method and significant assumptions listed below were used in the actuarial valuation of the OPEB Plan for the Maryland Transit Administration Pension Plan as of June 30, 2010, is as follows:

Actuarial cost method:	Entry Age Normal Cost Method
Asset valuation method:	Fair market value at fiscal year end
Rate of return on investments:	4.50%
Aggregate salary growth:	3.50%
Projected inflation rate:	4.00%
Healthcare cost trend rate:	Medical: 7.90% in FY2009, 7.00% in FY2010 and gradually decreasing to 5.00% in FY2011 Prescription drug: 5.00% for all future years Dental and vision: 5.00% for all future years
Amortization method:	Level annual payments over a fixed no. of years
Amortization period:	25 years
Status of period:	Closed

15. **Retirement Systems and Pension Plans:**

A. State Retirement and Pension System of Maryland:

The Department contributes to the State Retirement and Pension System of Maryland (System), established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of various participating political subdivisions or other entities within the State. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. While the System is an agent multiple-employer public employee retirement system, the Department accounts for the plan as a cost sharing multiple-employer public employee retirement system as a separate valuation is not performed for the Department and the Department's only obligation to the plan is its required annual contributions. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant. Consequently, the System is accounted for as a single plan as defined in GASB Statement No.25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans." The System is considered part of the State's financial reporting entity, and is not considered part of the Department's reporting entity. The System prepares separate audited Financial Statements, which can be obtained from the *State Retirement and Pension System of Maryland, 120 East Baltimore Street, Suite 1600, Baltimore, MD 21202.*

Plan description:

The System is administered in accordance with State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the Board of Trustees for the System. All State employees, with the exception of employees covered by the Maryland Transit Administration Pension Plan, and employees of the participating entities are covered by the plans.

"Retirement System" – retirement programs for substantially all State employees, teachers, State police and judges who are not members of the State Pension System.

"Pension System" – retirement programs for employees and teachers hired after January 1, 1980, and prior employees who have elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after completing 5 years of service. A member terminating employment before attaining retirement age but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member lives to age 60 (age 62 for the Pension System, age 50 for State Police) and does not

withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60 or completing 30 years of service credit, regardless of age. Members of the Pension System may retire with full benefits after attaining age 62 or after completing 30 years of service credit, regardless of age. State police members may retire with full benefits after attaining age 50 or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50 or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System members is equal to $1/55$ (1.8%) of a member's highest three-year average salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. Legislation enacted during the 1998 legislative session changed certain provisions of the Pension System and provided for a Contributory Pension System and a Non-Contributory Pension System. A member of the Contributory Pension System will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive-year average salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.4% of the highest three-consecutive-year average salary multiplied by the number of years of service credit after July 1, 1998. The annual benefit for the Non-Contributory Pension System member is equal to 0.8% of the member's highest three-consecutive-year average salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security wage base. A member of either Pension System may retire with reduced benefits after attaining age 55 and completing 15 years of credited service.

On April 25, 2006, new legislation was enacted with an effective date of July 1, 2006, that enhanced the pension benefits for active members, as of June 30, 2006, of the Pension System. According to the State Employees and Teacher's Pension Enhancement Benefit Act of 2006, the annual service retirement allowance remains equal to 1.2% of average final compensation times service credit to June 30, 1998 and increases to 1.8% of average final compensation times service credit from July 1, 1998 forward.

Funding policy:

The Department's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The aggregate entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates and the actuarial accrued liability. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages (7.0% or 5.0% depending on the retirement plan selected). Members of the Contributory Pension System are required to contribute to the System 5.0% of their regular salaries and wages. Members of the Non-Contributory Pension System are required to contribute to the System 5.0% of their regular salaries and wages that exceeds the Social Security wage base. State Police members are required to contribute 8.0% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 4.0% of their earnable compensation to the System. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members and the Department are established and may be amended by the Board of Trustees for the System. The Department made its contribution during the fiscal years ended June 30, 2010, 2009 and 2008 of \$32,987,000, \$28,448,000 and \$28,514,000, respectively, which represented 9.4%, 7.9% and 8.2%, respectively, of the covered payroll for the Department. As of June 30, 2010, since the Department did not make the total contribution required by the State, cumulative the Department has an obligation of \$97,019,000, which includes the interest accrual on the unpaid contribution amount. The Department has reported this obligation for required contributions related to employee services that have not been made to the cost-sharing plan.

The three-year trend of the annual required contributions from MDOT for the State Retirement and Pension System of Maryland is as follows:

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Annual Contribution Paid	Net Pension Obligation	Percentage Contributed
2008	\$40,479	\$28,514	\$63,767	70.4%
2009	44,319	28,448	79,638	64.2
2010	50,368	32,987	97,019	65.5

B. Maryland Transit Administration Pension Plan:

Plan description:

The Maryland Transit Administration Pension Plan (Plan) is a single employer noncontributory plan that covers all Maryland Transit Administration (MTA) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Plan is part of the Department's financial reporting entity and is included in the Department's financial statements as a Pension Trust Fund. The Plan prepares separate audited Financial Statements, which can be obtained from the *Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202*. The Plan is administered and funded in compliance with the collective bargaining agreements, which established the Plan.

The Plan provides retirement (normal and early), death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4-1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service. Benefit provisions are established and may be amended through the collective bargaining agreement.

As of June 30, 2010, membership total (4,672) in the Plan includes 1,373 retirees and beneficiaries currently receiving benefits, 472 terminated members entitled to but not yet receiving benefits and 2,827 current active members. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5% or more of total Plan assets. For the year ended June 30, 2010, the Administration's covered and total payroll was \$145,029,000.

Summary of significant accounting policies – basis of accounting and valuation of investments :

As a part of the Pension Trust Fund, the accounts and financial statements of the Plan, including benefits paid, contributions and refunds, are maintained and prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The Department's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All Plan investments are reported at fair value, which is determined by the State Retirement and Pension System of Maryland based on securities data. Investment expenses are not readily separable from the investment income or the general administrative expenses of the Plan.

Funding policy:

The MTA's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan. Employer contributions to the Plan totaling \$37,761,000 (26.0% of covered payroll) for fiscal year 2010 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2009. This amount consisted of \$4,163,000 normal cost and \$21,988,000 amortization of the actuarial

accrued liability (2.9% and 15.2%, respectively, of covered payroll). The collective bargaining agreement is the authority under which the obligation of the employer to contribute to the Plan is established or amended. The liquidation period for the unfunded actuarial accrued liabilities (as provided by law) is 9 years from June 30, 2010. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the net pension obligation. The computation of the annual required contribution requirements for fiscal year 2010 was based on the same actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Costs and Net Pension Obligation:

The MTA's annual required contribution for the fiscal year ended June 30, 2010 was \$26,151,000. The Administration contributed 144% of the annual pension cost for the fiscal year ended June 30, 2010 for the Plan. The Department's fiscal year 2010 required contribution was determined as a part of an actuarial valuation as of June 30, 2009 using the entry age normal actuarial cost method. The annual pension cost and net pension obligation for the Maryland Transit Administration Pension Plan as of June 30, 2010 was:

(amounts expressed in thousands)

Annual required contribution (ARC)	\$24,893
Interest on net pension obligation (NPO)	540
Adjustment to the ARC	<u>718</u>
Annual ARC adjusted	26,151
Contributions made in current fiscal year	<u>37,761</u>
Increase (Decrease) in NPO	(11,610)
Net pension obligation beginning of year	<u>2,531</u>
Net pension obligation end of fiscal year	<u>\$ (9,079)</u>

The Schedule of Employer Contributions for the Maryland Transit Administration Pension Plan was:

(amounts expressed in thousands)

Fiscal Year Ended June 30	Annual Required Cont.	Annual Contribution Paid	Net Pension Obligation	Percentage Contributed
2008	\$24,732	\$24,245	\$5,003	98%
2009	24,782	27,254	2,531	110
2010	26,151	37,761	(9,079)	144

Funded Status and Funding Progress:

The funded status for the Maryland Transit Administration Pension Plan as of June 30, 2010, was:

(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of UAAL over Covered Payroll
6/30/2008		\$326,988	\$190,694	41.7%	\$144,775	131.7%
	\$136,294					
6/30/2009	143,320	337,668	194,348	42.4	151,560	128.2
6/30/2010	162,756	426,041	263,285	38.2	145,029	181.5

The complete *Schedule of Funding Progress* for the Plan, reported in the RSI section of this report, presents multiyear trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The significant actuarial assumptions listed below were used for the Plan.

Method of funding:	Entry Age Normal Cost Method
Method of valuing assets:	Smoothing 20% market; 80% actuarial value
Rate of return on investments:	7.75% compounded per annum
Rate of salary increase:	4.00% compounded per annum
Retirement benefit increase:	3.00% cap or prior year CPI
Amortization method:	Level percent of payroll
Remaining amortization period:	9 years as of June 30, 2010 for prior UAAL
New amortization period:	17 years as of June 30, 2010 for new UAAL
Status of period (Open or Closed):	Closed

There were no changes in actuarial assumptions or benefit provisions during fiscal year 2010.

16. Federal Revenue:

Federal revenue consists principally of grants from the Federal Transit Administration for rail and bus projects for the Baltimore region and from the Federal Highway Administration in connection with highway construction projects. In addition, the Department receives Federal grants to aid in planning, design and construction of transportation facilities and to support the mass transit operations. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Department. As of June 30, 2010, the Department estimates that no material liabilities will result from such audits.

17. Passenger Facility Charges:

In July 1992, the Federal Aviation Administration (FAA) approved an application of the Maryland Aviation Administration (MAA) to impose a \$3.00 passenger facility charge (PFC) at BWI Marshall Airport (Airport). The MAA and the Maryland Transportation Authority (Authority) entered into an Agreement on Financing Airport Facilities Projects at BWI Marshall Airport, dated as of October 1, 1994, (the Airport Agreement), whereby the Authority, subject to certain conditions, has agreed to finance the airport facilities projects and has designated the MAA as its agent for development, design, operation, insurance, security and maintenance of the airport facilities projects. The Authority recovered the costs of financing these projects through the assignment of PFC receipts.

On June 10, 2003, the remaining outstanding bonds to finance these projects were defeased and then retired on July 1, 2004. An additional \$1.50 PFC was approved by the FAA and was imposed on June 1, 2002. The combined total of \$4.50 PFC was applied to the costs of financing these projects and additional aviation projects approved by the FAA on September 17, 2002. During December 2003, the MAA and the Authority entered into an agreement whereby the Authority has agreed to finance the additional PFC-approved airport facility projects (see note 9 Other Long-term Liabilities). The Authority will recover the costs of financing these projects through the assignment of PFC receipts. These agreements with the Authority are treated like capital leases and are reported on the Department's *Balance Sheet* as *Due from other agencies*.

18. Rent Revenue:

The Department leases terminal space at various marine terminals (including the Seagirt Marine Terminal), airport facilities and office space in the World Trade Center building, Baltimore, Maryland, pursuant to various operating leases. The Department's total minimum future rental revenues totaled \$913,115,000 as of June 30, 2010 and do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenues included in operations were approximately \$155,501,000 for the year ended June 30, 2010. Assets of the Department under lessor operating lease agreements, totaling \$871,506,000

are included in the *Capital assets*, net of accumulated depreciation in the amount of \$606,323,000, on the Statement of Net Assets. During the current fiscal year, the MPA entered into a lease agreement with a third party to operate the Seagirt Marine Terminal. The terms of this lease agreement included an upfront payment of \$140,000,000, of which approximately \$112,000,000 has been deferred and will be recognized over the 50 year life of the lease.

Minimum future rental revenues for the Department as of June 30, 2010, are as follows:
(amounts expressed in thousands):

Year Ending June 30,	Operating Leases Minimum Future Rental Revenues
2011	\$ 124,031
2012	121,286
2013	116,668
2014	112,348
2015	110,250
2016-2020	182,817
2021-2025	33,715
2026-2060	112,000
Total	\$ 913,115

19. Equity/Fund Balances:

Reservations of fund balance represents portions of the fund balance that are legally segregated for a specific future use or are not appropriable for current expenditures. A portion of the Special Revenue Fund balance in the amount of \$79,089,000 is recorded as a *Reserved for inventories* while the amount of \$90,539,000 is recorded as a *Reserved for prepaids*. Also included as a reservation of Special Revenue Fund balance is the amount of \$1,466,000 that represents the balance of the Department’s loans and notes receivable and is recorded as a *Reserved for loans receivable* while the amount of \$412,000 as of June 30, 2010, representing non-budgeted agency resources is recorded as a *Reserved for agency activities* and the amount of \$2,657,000 as of June 30, 2010, represents the balance in the construction account for MAA projects is recorded as a *Reserved for construction projects*.

The Debt Service Fund balance in the amount of \$1,126,000 as of June 30, 2010, is recorded as a *Reserve for debt service* and relates to the retirement of consolidated transportation bonds. The Pension Trust Fund balance in the amount of \$129,444,000 as of June 30, 2010, is recorded as a *Reserve for pension benefits* and is related to the Maryland Transit Administration Pension Plan.

20. Pollution Remediation Obligations:

The Department has recognized a pollution remediation obligation on the *Statement of Net Assets* for governmental activities. A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement, and post remediation monitoring. Obligating events that initiate the recognition of a pollution remediation liability include any of the following: (a) There is an imminent and substantial endangerment to the public; (b) The Department is in violation of a pollution prevention related permit or license; (c) The Department is identified as a responsible party or potentially responsible party by an environmental regulator; (d) The

Department is named or has evidence that it will be named in a lawsuit to participate in pollution remediation; or (e) The Department voluntarily commences, or legally obligates itself to commence, cleanup activities, monitoring or operations and maintenance of pollution remediation efforts.

The pollution remediation obligation is an estimate and subject to change resulting from price increases or reductions, technology advances or from changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur and as remediation is implemented and monitored. The measurement of the liability is based on the current value of outlays to be incurred using the expected cash flow technique. This technique measures the sum of probability-weighted amounts in a range of possible potential outcomes – the estimated mean or average.

The Department's pollution remediation liability for the fiscal year ended June 30, 2010, is estimated to be \$667,106,000 for cleanup projects at the Maryland Port, Maryland Transit and State Highway Administrations with approximately \$511,280,000 of expected recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure, and replacement of buildings as a result of contaminations by hazardous materials under Federal and State law. In these cases, either the Department has been named in a lawsuit by a State Regulator or the Department has legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland. These cost estimates for the Department's pollution remediation, due to site contamination from hazardous materials, are based on engineering design estimates.

The estimated long-term costs that the Department may be responsible for over the next 15 years include: various cleanup projects related to an SHA Maintenance Facility and former SHA Laboratory, various cleanup projects related to several MTA construction sites and projects related to cleanup of underground hazardous substances at one of the MPA's marine terminals. The MPA is only responsible for 23% of the total remediation costs. The Department did not incur any significant costs to reduce the liability or identify any new technology that would change the liability during the current fiscal year ended June 30, 2010.



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Maryland Department of Transportation
Comprehensive Annual Financial Report



REQUIRED SUPPLEMENTARY INFORMATION

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Funding Progress
Maryland Transit Administration OPEB Plan
(amounts expressed in thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability - Entry Age	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as Percentage of Covered Payroll
2008	\$0	\$411,400	0.0%	144,775	284.2%
2009	0	431,500	0.0	151,560	284.7

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contributions
Maryland Transit Administration OPEB Plan
(amounts expressed in thousands)

Year Ended June 30,	Annual Required Contribution	Annual Contribution Paid	Percentage Contributed
2008	\$41,200	\$9,700	23.5%
2009	43,100	10,100	23.4
2010	44,200	10,900	24.7

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Funding Progress
Maryland Transit Administration Pension Plan
(amounts expressed in thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability - Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as Percentage of Covered Payroll
2001	\$76,700	\$203,628	\$126,928	37.7%	\$110,249	115.1%
2002	81,557	224,411	142,855	36.3	122,977	116.2
2003	86,642	234,460	147,818	37.0	128,393	115.1
2004	95,219	260,422	165,203	36.6	126,169	130.9
2005	101,810	261,536	159,726	38.9	121,415	131.6
2006	112,230	300,869	188,639	37.3	128,806	146.5
2007	124,496	322,597	198,101	38.6	135,098	146.6
2008	136,294	326,988	190,694	41.7	144,775	131.7
2009	143,320	337,668	194,348	42.4	151,560	128.2
2010	162,756	426,041	263,285	38.2	145,029	181.5

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contributions
Maryland Transit Administration Pension Plan
(amounts expressed in thousands)

Year Ended June 30,	Annual Required Contribution	Annual Contribution Paid	Percentage Contributed
2001	\$14,820	\$14,820	100.0%
2002	15,200	15,200	100.0
2003	17,515	16,545	94.5
2004	18,442	19,187	104.0
2005	20,614	19,695	95.5
2006	20,435	20,435	100.0
2007	24,245	20,872	86.1
2008	24,732	24,245	98.0
2009	24,782	27,254	110.0
2010	26,151	37,761	144.4

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2010
(amounts expressed in thousands)

	Special Fund				Federal Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Taxes:								
Motor vehicle taxes and fees	\$ 1,080,523	\$ 1,051,174	\$ 1,082,828	\$31,654				
Motor vehicle fuel taxes and fees	734,801	730,892	728,338	(2,554)				
Revenue sharing of state corporate income tax	153,638	137,127	150,554	13,427				
Revenue sharing of state sales tax	213,915	217,117	223,084	5,967				
Federal reimbursements					\$1,081,016	\$1,010,289	\$804,906	\$(205,383)
Charges for services	413,075	397,602	394,530	(3,072)				
Investment earnings	4,000	4,000	594	(3,406)				
Other	6,500	18,500	14,508	(3,992)				
Total revenues	2,606,452	2,556,412	2,594,436	38,024	1,081,016	1,010,289	804,906	(205,383)
EXPENDITURES and ENCUMBRANCES:								
Current:								
General government:								
The Secretary's Office	375,094	386,367	371,504	14,863	24,986	26,215	25,401	814
State Highway Administration	868,104	699,727	677,415	22,312	690,679	635,191	517,149	118,042
Maryland Port Administration	223,886	182,837	138,909	43,928	761	1,117	10	1,107
Motor Vehicle Administration	188,041	176,368	166,244	10,124	177	2,122	1,581	541
Maryland Transit Administration	753,200	696,572	665,296	31,276	362,675	326,996	250,773	76,223
Maryland Aviation Administration	209,793	194,759	193,848	911	1,738	18,648	9,992	8,656
Total general government	2,618,118	2,336,630	2,213,216	123,414	1,081,016	1,010,289	804,906	205,383
Debt service:								
Principal	77,595	77,595	77,595					
Interest	82,103	82,103	67,442	14,661				
Total debt service	159,698	159,698	145,037	14,661				
Total expenditures and encumbrances	2,777,816	2,496,328	2,358,253	138,075	1,081,016	1,010,289	804,906	205,383
Excess of revenues over expenditures	(171,364)	60,084	236,183	176,099				
OTHER FINANCIAL SOURCES (USES):								
Proceeds from bonds	159,698	159,698	140,000	(19,698)				
Transfers out	(130,829)	(230,829)	(362,051)	(131,222)				
Total other financing sources and uses	28,869	(71,131)	(222,051)	(150,920)				
Net change in fund balances	(142,495)	(11,047)	14,132	25,179				
Fund balances, July 1, 2009	240,684	240,684	240,684					
Fund balances, June 30, 2010	\$98,189	\$229,637	\$254,816	\$25,179	\$ --	\$ --	\$ --	\$ --

MARYLAND DEPARTMENT OF TRANSPORTATION
Notes to the Required Supplementary Information
For the year ended June 30, 2010

1. **Stewardship, Compliance and Accountability:**

Budgeting and budgetary control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the Special Revenue Fund, which includes the transportation activities of the Department, shared taxes and payments of debt service on transportation bonds. The budgetary Federal fund revenue and expenditures are included in the GAAP Special Revenue Fund as federal revenues and expenditures by function. An annual budget is also prepared for the Federal funds, which accounts for all Departmental grants from the Federal government.

Each year the Department prepares its annual budget and submits it to the Governor. The Governor then presents the State's annual budget (including the Department's) to the General Assembly in accordance with Constitutional requirements. The General Assembly is required to then enact a balanced budget for the next fiscal year.

The GAAP Special Revenue Fund includes both budgetary special and federal funds.

Special fund:

The Special fund includes all transportation activities of the Department and shared taxes with the political subdivisions.

Federal fund:

The Federal fund accounts for substantially all grants from the Federal government.

Budgetary fund equities and other accounts:

The Department's legal level of budgetary control is exercised at the agency appropriation (program) and fund level (legislative spending authority level). Encumbrances and expenditures cannot exceed appropriated amounts. Appropriation transfers between or within departments and any supplemental appropriations require both executive and legislative branch approvals. Unencumbered and unexpended appropriations lapse at fiscal year-end and become available for appropriation in the subsequent year. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

All Departmental budgetary expenditures for special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time. The Department may, with the Governor's approval, amend the appropriations by modal administration within the budgetary special and federal funds. Additionally, appropriations for programs funded in whole or in part from special or federal funds may permit expenditures in excess of the original special or federal fund appropriation to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from special and federal funds may be carried over to the following year to the extent of (a) available resources and (b) encumbrances which are approved by the Department of Budget and Management. The Department did not receive any general fund appropriations in fiscal year 2010.

The Department's original and amended budget adopted by the General Assembly for special and federal funds is presented in the *Required Supplementary Information - Special Revenue Funds - Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual -- For the Year Ended June 30, 2010* on page 64 of this report. The Department's budgetary fund structure and basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles (GAAP). The budgetary system's principal departures from the modified accrual basis are the classification of the Department's budgetary funds and the timing of recognition of certain revenues and expenditures. The GAAP special revenue fund is an aggregate of the special and federal budgetary funds.

A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2010, is provided in the *Reconciliation of the Budgetary Special Fund, Fund Balance to the GAAP Special Revenue Fund, Fund Balance* in the Notes to the Required Supplementary Information section (see below).

MARYLAND DEPARTMENT OF TRANSPORTATION
Reconciliation of the Budgetary Special Fund, Fund Balance
to the GAAP Special Revenue Fund, Fund Balance
June 30, 2010

(amounts expressed in thousands)

<i>Classification of budgetary fund equities and other accounts into governmental funds' fund structure:</i>	Special Revenue Fund
Special fund-fund balance (page 64)	\$254,816
Non-budgeted funds-fund balance	417
Total budgetary fund balance reclassified to GAAP fund structure	<u>255,233</u>
<i>Accounting principle and timing differences:</i>	
Assets recognized in governmental funds financial statements not recognized for budgetary purposes:	
Other accounts receivable	2,657
Loans receivable	(1,178)
Taxes receivable	2,113
Due from other state agencies	16,006
Inventories	79,089
Liabilities recognized in governmental funds financial statements not recognized for budgetary purposes:	
Accounts payable to political subdivisions	(18,198)
Financial statement governmental funds' fund balance, June 30, 2010	<u>\$335,722</u>

Maryland Department of Transportation
Comprehensive Annual Financial Report



SUPPLEMENTARY INFORMATION



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MARYLAND DEPARTMENT OF TRANSPORTATION				
Statement of Changes in Assets and Liabilities				
Agency Funds				
For the year ended June 30, 2010				
(amounts expressed in thousands)				
	Balance			Balance
	July 1, 2009	Additions	Deletions	June 30, 2010
ASSETS:				
Cash and cash equivalents	\$ 72,626	\$ 34,739	\$ 52,447	\$ 54,918
Total assets	\$ 72,626	\$ 34,739	\$ 52,447	\$ 54,918
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 72,626		\$ 17,708	\$ 54,918
Total liabilities	\$ 72,626	\$ -	\$ 17,708	\$ 54,918



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Maryland Department of Transportation
Comprehensive Annual Financial Report



STATISTICAL SECTION

MARYLAND DEPARTMENT OF TRANSPORTATION STATISTICAL SECTION

JUNE 30, 2010

This part of the Maryland Department of Transportation's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Department's overall financial health.

Table of Contents		Pages
Financial Trends		73-77
These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.		
Revenue Capacity		78-79
These schedules contain information to help the reader assess the Department's two most significant revenue sources, the motor vehicle tax and the motor vehicle fuel tax.		
Debt Capacity		80-82
These schedules present information to help the reader assess the affordability of the Department's current levels of outstanding debt and the Department's ability to issue additional debt in the future.		
Miscellaneous Statistics		83
This schedule includes various statistical information related to the Department and its modal administrations' operations.		

MARYLAND DEPARTMENT OF TRANSPORTATION

Net Assets by Component

Last Nine Fiscal Years (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year Ended June 30,								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:									
Invested in capital assets, net of related debt	\$ 10,575,209	\$ 10,935,982	\$ 11,141,542	\$ 11,888,421	\$ 12,552,326	\$ 13,047,662	\$ 13,391,594	\$ 13,349,027	\$ 13,171,279
Restricted	12,562	17,286	28,442	4,737	4,939	4,898	2,768	9,694	3,783
Unrestricted (deficit)	243,302	138,168	251,082	230,502	278,586	188,470	2,833	(62,463)	(201,647)
Total governmental activities net assets	<u>\$ 10,831,073</u>	<u>\$ 11,091,436</u>	<u>\$ 11,421,066</u>	<u>\$ 12,123,660</u>	<u>\$ 12,835,851</u>	<u>\$ 13,241,030</u>	<u>\$ 13,397,195</u>	<u>\$ 13,296,258</u>	<u>\$ 12,973,415</u>
Primary government:									
Invested in capital assets, net of related debt	\$ 10,575,209	\$ 10,935,982	\$ 11,141,542	\$ 11,888,421	\$ 12,552,326	\$ 13,047,662	\$ 13,391,594	\$ 13,349,027	\$ 13,171,279
Restricted	12,562	17,286	28,442	4,737	4,939	4,898	2,768	9,694	3,783
Unrestricted (deficit)	243,302	138,168	251,082	230,502	278,586	188,470	2,833	(62,463)	(201,647)
Total primary government net assets	<u>\$ 10,831,073</u>	<u>\$ 11,091,436</u>	<u>\$ 11,421,066</u>	<u>\$ 12,123,660</u>	<u>\$ 12,835,851</u>	<u>\$ 13,241,030</u>	<u>\$ 13,397,195</u>	<u>\$ 13,296,258</u>	<u>\$ 12,973,415</u>

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2002-2010.

MARYLAND DEPARTMENT OF TRANSPORTATION
Changes in Net Assets
Last Nine Fiscal Years (1)
(accrual basis of accounting)
(amounts expressed in thousands)

Governmental activities:	Fiscal Year Ended June 30,								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:									
Secretary's office	\$ 386,254	\$ 367,263	\$ 743,780	\$ 498,866	\$ 347,219	\$ 376,217	\$ 406,315	\$ 419,588	\$ 459,933
State highway administration	1,077,544	1,156,819	1,121,163	1,268,539	1,334,407	1,399,649	1,422,063	1,437,996	1,410,556
Port administration	116,808	111,367	170,011	142,502	159,358	187,187	152,107	189,603	186,516
Motor vehicle administration	124,153	129,686	123,488	129,129	143,531	155,700	161,796	176,300	165,933
Transit administration	500,382	516,679	566,078	576,835	528,918	617,442	683,821	782,548	818,465
Aviation administration	142,025	170,222	199,264	200,521	239,601	287,604	284,488	274,906	272,455
Interest on long-term debt	36,465	63,448	63,210	79,409	68,998	72,137	74,441	97,683	101,481
Total governmental activities expenses	\$ 2,383,631	\$ 2,515,484	\$ 2,986,994	\$ 2,895,801	\$ 2,822,032	\$ 3,095,936	\$ 3,185,031	\$ 3,378,624	\$ 3,415,339
Program Revenues:									
Charges for services:									
Secretary's office	\$ 84,608	\$ 55,585	\$ 159,836	\$ 45,596	\$ 7,496	\$ 23,467	\$ (27,914)	\$ 2,291	\$ 9,447
State highway administration	45,826	49,024	71,854	69,663	28,927	35,035	48,491	51,983	40,399
Port administration	86,883	90,291	97,100	96,631	91,836	94,544	96,981	93,618	69,781
Motor vehicle administration	37,963	834	1,575	371	(917)	(133)	(236)	-	-
Transit administration	96,441	98,115	108,454	106,789	110,136	122,913	117,869	117,556	125,057
Aviation administration	111,455	138,303	183,445	185,335	215,091	236,401	244,579	241,083	282,646
Operating grants and contributions	50,394	76,839	76,499	79,892	70,827	72,597	79,228	93,729	90,762
Capital grants and contributions	697,213	634,155	626,950	743,294	789,619	710,163	667,219	668,442	714,144
Total governmental activities program revenues	\$ 1,210,783	\$ 1,143,146	\$ 1,325,713	\$ 1,327,571	\$ 1,313,015	\$ 1,294,987	\$ 1,226,217	\$ 1,268,702	\$ 1,332,236
Net (expense) revenue governmental activities	\$ (1,172,848)	\$ (1,372,338)	\$ (1,661,281)	\$ (1,568,230)	\$ (1,509,017)	\$ (1,800,949)	\$ (1,958,814)	\$ (2,109,922)	\$ (2,083,103)
General Revenues and Other Changes in Net Assets:									
Taxes:									
Motor vehicle taxes	\$ 970,683	\$ 989,571	\$ 1,110,799	\$ 1,279,052	\$ 1,237,199	\$ 1,241,538	\$ 1,178,609	\$ 1,058,759	\$ 1,082,559
Motor fuel taxes	690,311	704,165	746,044	752,810	746,240	740,791	741,851	728,385	714,210
Corporation income tax share	85,468	91,034	107,397	209,458	202,755	185,557	167,102	150,554	153,275
State sales tax share	35,447	23,102	23,266	24,323	26,527	27,689	23,659	223,084	223,582
Unrestricted investment earnings	7,217	2,985	3,405	5,181	8,487	10,553	3,758	4,029	404
Loss on disposal of capital assets	(3,422)	(18,156)							(413,770)
Transfers out		(160,000)							
Total governmental activities general revenues:	\$ 1,785,704	\$ 1,632,701	\$ 1,990,911	\$ 2,270,824	\$ 2,221,208	\$ 2,206,128	\$ 2,114,979	\$ 2,164,811	\$ 1,760,260
Change in Net Assets:									
Governmental activities	612,856	260,363	329,630	702,594	712,191	405,179	156,165	54,889	(322,843)
Total primary government	\$ 612,856	\$ 260,363	\$ 329,630	\$ 702,594	\$ 712,191	\$ 405,179	\$ 156,165	\$ 54,889	\$ (322,843)

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2002-2010.

MARYLAND DEPARTMENT OF TRANSPORTATION
Governmental Activities Tax Revenues by Source
Last Nine Fiscal Years (1)
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Motor Vehicle Tax	Motor Fuel Tax	Corporation Income Tax	State Sales Tax (1)	Total
2002	\$ 970,683	\$690,311	\$85,468	\$35,447	\$1,781,909
2003	989,571	704,165	91,034	23,102	1,807,872
2004	1,110,799	746,044	107,397	23,266	1,987,506
2005	1,279,052	752,810	209,458	24,323	2,265,643
2006	1,237,199	746,240	202,755	26,527	2,212,721
2007	1,241,538	740,791	185,557	27,689	2,195,575
2008	1,178,609	741,851	167,102	23,659	2,111,221
2009	1,058,759	728,385	150,554	223,084	2,160,782
2010	1,082,559	714,210	153,275	223,582	2,173,626

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2002-2010.

(1) Effective July 1, 2008 the Department received additional Sales Tax Revenue due to the increase of 1 percent on the State Sales Tax.

MARYLAND DEPARTMENT OF TRANSPORTATION
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Special revenue fund										
Reserved	\$ 43,941	\$ 127,948	\$ 100,470	\$ 156,310	\$ 170,492	\$ 166,632	\$ 167,639	\$ 179,583	\$ 164,251	\$ 174,163
Unreserved	115,583	123,401	135,710	199,289	173,094	216,555	159,398	(29,332)	164,567	161,559
Total special revenue fund	<u>\$ 159,524</u>	<u>\$ 251,349</u>	<u>\$ 236,180</u>	<u>\$ 355,599</u>	<u>\$ 343,586</u>	<u>\$ 383,187</u>	<u>\$ 327,037</u>	<u>\$ 150,251</u>	<u>\$ 328,818</u>	<u>\$ 335,722</u>
All other governmental funds										
Reserved	\$ 3,842	\$ 4,515	\$ 2,769	\$ 18,150	\$ 1,756	\$ 4,696	\$ 2,381	\$ -	\$ 7,033	\$ 1,126
Total all other governmental funds	<u>\$ 3,842</u>	<u>\$ 4,515</u>	<u>\$ 2,769</u>	<u>\$ 18,150</u>	<u>\$ 1,756</u>	<u>\$ 4,696</u>	<u>\$ 2,381</u>	<u>\$ -</u>	<u>\$ 7,033</u>	<u>\$ 1,126</u>

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2001-2010.

MARYLAND DEPARTMENT OF TRANSPORTATION
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
Motor vehicle taxes and fees	\$ 1,577,714	\$ 1,660,994	\$ 1,693,736	\$ 1,856,843	\$ 2,031,862	\$ 1,983,439	\$ 1,982,329	\$ 1,920,460	1,787,144	1,796,769
Charges for services	365,882	394,234	331,982	545,299	416,878	372,626	407,386	376,563	399,271	419,691
Investment earnings	10,902	3,890	2,985	3,405	5,181	8,487	10,553	3,758	4,029	404
Passenger facility charges and interest	30,454	31,394	44,636	41,045	41,770	37,017	42,171	45,609	40,824	44,054
Special airport financing charges		13,094	24,472	11,210	29,105	33,576	28,392	31,932	23,176	45,467
Federal	627,099	747,607	710,994	703,449	823,186	860,446	782,760	746,447	762,171	804,906
Revenue sharing of state taxes (1)	137,525	120,915	114,136	130,663	233,781	229,282	213,246	190,761	373,638	376,857
Reimbursements from other state agencies (1)	39,165	4,397	1,675					-		
Other	21,861	23,384	59,264	24,710	16,632	9,354	34,278	25,666	13,260	18,118
Total revenues	2,810,602	2,999,909	2,983,880	3,316,624	3,598,395	3,534,227	3,501,115	3,341,196	3,403,513	3,506,266
Expenditures:										
Department administration, operating and maintenance expenditures	968,660	1,027,001	1,123,911	1,143,707	1,218,027	1,175,711	1,254,313	1,305,618	1,358,247	1,447,811
Highway user revenues and federal funds	463,785	466,634	467,889	426,950	514,175	583,090	615,458	582,335	515,722	255,164
WMATA Grants	84,831	212,093	289,822	303,393	210,392	237,948	236,158	273,001	285,309	296,522
Distributions to other state agencies (2)	100,163	117,892	43,809	384,386	232,980	78,554	75,607	87,100	59,980	401,930
Debt service principal retirement and interest	110,779	114,468	129,579	136,021	170,546	142,060	119,316	121,390	142,359	150,954
Capital outlays	1,181,881	1,300,616	1,335,320	1,354,365	1,409,119	1,432,833	1,369,805	1,400,238	1,261,036	1,232,890
Total expenditures	2,910,099	3,238,704	3,390,330	3,748,822	3,755,239	3,650,196	3,670,657	3,769,682	3,622,653	3,785,271
Excess (deficiency) of revenues over expenditures	(99,497)	(238,795)	(406,450)	(432,198)	(156,844)	(115,969)	(169,542)	(428,486)	(219,140)	(279,005)
Other financing sources (uses):										
Capital leases	37,211		48,476	78,726	116,116	49,399	6,285	-	2,098	
Other long-term liability		119,460	157,769	142,015	12,321	5,320	2,411	102		
Other capital financing sources			13,470							
Proceeds from bonds		164,050	381,318	346,257		103,814	102,381	249,217	402,642	140,002
Sale of future revenue rights										140,000
Transfers from the General Fund (1)										
Transfers to the General Fund (2)			(211,498)			(23)				
Transfers to Maryland Transportation Authority (2)										
Net other sources (uses) of financial resources	37,211	283,510	389,535	566,998	128,437	158,510	111,077	249,319	404,740	280,002
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	(62,286)	44,715	(16,915)	134,800	(28,407)	42,541	(58,465)	(179,167)	185,600	997
Fund balance, July 1 (3)	225,652	211,149	255,864	238,949	373,749	345,342	387,883	329,418	150,251	335,851
Fund balance, June 30	\$ 163,366	\$ 255,864	\$ 238,949	\$ 373,749	\$ 345,342	\$ 387,883	\$ 329,418	\$ 150,251	\$ 335,851	\$ 336,848

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2001-2010.

(1) Transfers from the general fund have been reclassified to revenues in fiscal year 2001.

(2) Transfers to the general fund and Maryland Transportation Authority have been reclassified to expenditures in fiscal years 2001, 2002, 2004 and 2005.

(3) Fiscal year 2002 beginning balance has been restated to include inventory balance.

MARYLAND DEPARTMENT OF TRANSPORTATION
General Government Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Motor Vehicle Tax	Motor Fuel Tax	Corporation Income Tax	State Sales Tax (1)	Total
2001	\$795,888	\$686,975	\$118,201	\$19,324	\$1,620,388
2002	970,683	690,311	85,468	35,447	1,781,909
2003	989,571	704,165	91,034	23,102	1,807,872
2004	1,110,799	746,044	107,397	23,266	1,987,506
2005	1,279,052	752,810	209,458	24,323	2,265,643
2006	1,237,199	746,240	202,755	26,527	2,212,721
2007	1,241,538	740,791	185,557	27,689	2,195,575
2008	1,178,609	741,851	167,102	23,659	2,111,221
2009	1,058,759	728,385	150,554	223,084	2,160,782
2010	1,082,559	714,210	153,275	223,582	2,173,626

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2001-2010.

(1) Effective July 1, 2008 the Department received additional Sales Tax Revenue due to the increase of 1 percent on the State Sales Tax.

MARYLAND DEPARTMENT OF TRANSPORTATION
Marylands's Ten Largest Employers
Calendar Years

Ranking	2010	2009
1	Johns Hopkins University	Johns Hopkins University
2	MedStar Health	MedStar Health
3	Johns Hopkins Health System	Johns Hopkins Health System
4	University of Maryland Medical System	University of Maryland Medical System
5	Northrup Gruman Electronic Systems	Northrup Gruman Electronic Systems
6	Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.
7	Verizon Maryland, Inc.	LifeBridge Health
8	LifeBridge Health	Giant Food LLC
9	Giant Food LLC	Constellation Energy Group Inc.
10	Constellation Energy Group Inc.	Verizon Maryland, Inc.

Source: Baltimore Business Journal - Book of Lists 2010

MARYLAND DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund
Gasoline and Motor Vehicle Revenue Account
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
Motor vehicle fuel tax and fees	\$ 686,975	\$ 703,534	\$ 716,085	\$ 746,155	\$ 752,882	\$ 757,959	\$ 755,733	\$ 755,176	\$ 736,105	\$ 721,295
Motor vehicle titling tax (4) (5)	612,780	650,210	669,253	719,757	717,699	719,207	703,815	649,657	514,155	543,411
Licensing and registration (3)	183,108	185,049	188,024	198,787	351,333	360,981	372,498	354,967	354,982	350,098
Corporation income tax	118,201	85,468	91,034	107,397	209,061	202,755	185,557	167,102	151,304	154,025
Sales and use tax on rental vehicles	19,324	35,222	22,518	23,265	24,323	26,527	27,689	23,659	21,498	22,201
Total revenues	1,620,388	1,659,483	1,686,914	1,795,361	2,055,298	2,067,429	2,045,292	1,950,561	1,778,044	1,791,030
Deductions:										
1% portion -- Motor vehicle titling tax (1)	(122,556)	(130,042)	(133,851)	(143,951)	(143,540)	(143,841)	(140,763)	(129,931)	(171,385)	(181,137)
Other to the Trust Fund	(6,242)	(19,909)	(6,536)	(6,939)	(6,554)	(7,348)	(8,214)	(7,526)	(6,178)	(6,615)
Other	(40,484)	(42,268)	(42,785)	(43,097)	(43,487)	(45,907)	(46,688)	(47,337)	(44,407)	(45,744)
Total deductions	(169,282)	(192,219)	(183,172)	(193,987)	(193,581)	(197,096)	(195,665)	(184,794)	(221,970)	(233,496)
Net Highway User Revenue	\$ 1,451,106	\$ 1,467,264	\$ 1,503,742	\$ 1,601,374	\$ 1,861,717	\$ 1,870,333	\$ 1,849,627	\$ 1,765,767	\$ 1,556,074	\$ 1,557,534
Allocations (Highway User Revenue):										
Share to the Department	\$ 1,015,774	\$ 1,027,085	\$ 935,598	\$ 996,444	\$ 1,303,202	\$ 1,309,233	\$ 1,294,739	\$ 1,236,037	\$ 1,089,252	\$ 1,090,274
Share to the General Fund (1)			117,021	124,518					-	-
Share to counties and municipalities	262,046	264,691	261,357	207,972	255,932	293,184	328,309	313,564	279,232	29,593
Share to Baltimore City	173,286	175,488	171,817	170,000	200,143	219,416	226,579	216,166	187,590	133,948
Local Share to the General Fund (1) (2) (4)			17,949	102,440	102,440	48,500				303,719
Total allocations	\$ 1,451,106	\$ 1,467,264	\$ 1,503,742	\$ 1,601,374	\$ 1,861,717	\$ 1,870,333	\$ 1,849,627	\$ 1,765,767	\$ 1,556,074	\$ 1,557,534

Source: Maryland Department of Transportation, The Secretary's Office, Office of Finance.

- (1) The 2003 Session of the Maryland General Assembly approved legislation (HB 935) requiring the deposit of \$160,000,000 and \$154,913,000 in FY2003 and FY2004, respectively, of motor vehicle registration fees and other user fees from the Motor Vehicle Administration in the State General Fund rather than the Transportation Trust Fund. Therefore, 70% of motor vehicle registration fees \$117,021,000 and \$124,518,000 were deposited in the State General Fund. An additional \$42,979,000 and \$30,395,000 of other user fees were also deposited in the State General Fund. The legislation further provided for transfers of \$17,949,407 and \$102,440,128 from the Local Government's share of Highway User Revenues to the State General Fund.
- (2) The 2004 Session of the Maryland General Assembly approved legislation (SB 508) providing for the transfer of \$102,440,128 from the Local Government's share of Highway User Revenues to the State General Fund.
- (3) The 2004 Session of the Maryland general Assembly approved legislation (HB 1467) increasing Vehicle Registration Fees.
- (4) The 2005 Session of the Maryland General Assembly approved legislation (HB 147) providing for the transfer of \$48,500,000 from the Local Government's share of Highway User Revenues to the State General Fund.
- (5) The 2007 Special Session of the Maryland General Assembly approved legislation to increase the State's Sales Tax and the Vehicle Excise Tax (Titling) from 5% to 6%, effective Jan. 1, 2008. In addition, the percentage of Titling Tax to GMVRA was changed from 80% to 66 and 2/3%, effective July1, 2008.

MARYLAND DEPARTMENT OF TRANSPORTATION

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 823,000	\$ 799,000	\$1,075,000	\$ 1,253,000	\$1,472,000	\$1,333,475	\$1,248,750	\$1,497,060	\$1,620,850	\$1,830,010
Net debt applicable to limit	648,050	714,150	961,245	1,185,650	1,069,945	1,078,475	1,108,692	1,266,434	1,574,902	1,643,884
Total legal debt margin	\$ 174,950	\$ 84,850	\$ 113,755	\$ 67,350	\$ 402,055	\$ 255,000	\$ 140,058	\$ 230,626	\$ 45,948	\$ 186,126
Net debt applicable to the limit as a percentage of debt limit	78.74%	89.38%	89.42%	94.62%	72.69%	80.88%	88.78%	84.59%	97.17%	89.83%

Legal Debt Margin Calculation for Fiscal Year 2010

Debt limit (1)	1,830,010
Debt applicable to limit:	
Special revenue bonds	1,645,010
Less: Amount set aside for repayment of debt	(1,126)
Total net debt applicable to limit	<u>1,643,884</u>
Legal debt margin	<u>186,126</u>

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2001-2010.

(1) The Maryland Department of Transportation's legal debt limit is established by the Maryland General Assembly on an annual basis.

MARYLAND DEPARTMENT OF TRANSPORTATION
Ratio of Annual Debt Service Expenditures
For Consolidated Transportation Bonded Debt
To Total General Governmental Expenditures
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service	Total Noncapital Governmental Expenditures	Ratio of Debt Service to Noncapital Expenditures
2001	\$77,310	\$33,469	\$110,779	\$1,728,218	6.41%
2002	84,530	29,938	114,468	1,938,088	5.91
2003	95,165	34,414	129,579	2,055,010	6.31
2004	94,710	41,311	136,021	2,394,457	5.68
2005	116,470	54,076	170,546	2,346,120	7.27
2006	92,280	49,780	142,060	2,217,363	6.41
2007	68,290	51,026	119,316	2,300,852	5.19
2008	68,990	52,400	121,390	2,369,444	5.12
2009	71,325	71,031	142,356	2,361,617	6.03
2010	77,595	73,359	150,954	2,522,380	5.98

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2001-2010.

MARYLAND DEPARTMENT OF TRANSPORTATION
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Total Governmental Activities Debt	Total Personal Income (2)	Percentage of Personal Income
	Special Revenue Bonds	Capital Leases	Other Long-term Liability (1) (3)			
2001	\$652,510	\$143,141	-	\$795,651	\$194,581,000	0.41%
2002	717,980	105,756	\$119,460	943,196	201,793,000	0.47
2003	964,400	126,908	264,099	1,355,407	209,701,000	0.65
2004	1,188,090	199,895	400,813	1,788,798	224,646,000	0.80
2005	1,071,620	309,496	409,585	1,790,701	237,146,000	0.76
2006	1,079,340	348,470	404,318	1,832,128	252,431,000	0.73
2007	1,111,050	343,379	391,029	1,845,458	264,375,000	0.70
2008	1,268,815	331,703	373,319	1,973,837	273,934,000	0.72
2009	1,582,605	673,836	-	2,256,441	275,143,000	0.82
2010	1,645,010	641,252	-	2,286,262	282,092,000	0.81

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2001-2010.

- (1) Other long-term liability information for fiscal years prior to fiscal year ended June 30, 2002 is not available.
(2) Source: U.S. Department of Commerce, Bureau of Economic Analysis (amounts are on a calendar year basis).
(3) Other long-term liability items were reclassified as capital leases in fiscal year 2009.

MARYLAND DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund
Taxes Pledged to Bonds and Net Revenues
as Defined for Purposes of the Bond Coverage Test
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
Taxes pledged to bonds:										
Corporation income tax (GMVRA)	\$ 82,741	\$ 59,828	\$ 63,724	\$ 75,178	\$ 146,343	\$ 141,929	\$ 129,890	\$ 116,971	\$ 105,388	\$ 107,293
Fuel tax	464,668	476,200	484,483	505,173	510,572	513,033	510,735	510,630	500,114	489,004
Titling tax (4)	465,713	494,159	508,632	547,015	545,451	546,597	534,899	493,739	411,324	434,729
Sales and use tax (4) (5)	14,686	16,528	17,114	17,682	18,485	20,161	21,044	17,981	217,924	213,254
Total taxes pledged to bonds	1,027,808	1,046,715	1,073,953	1,145,048	1,220,851	1,221,720	1,196,568	1,139,321	1,234,750	1,244,280
Fees:										
Motor vehicle licenses and registrations (2)	114,388	114,760	117,021	124,519	230,756	236,661	244,472	231,379	231,773	227,954
Other	105,038	123,543	131,812	142,699	150,760	154,957	166,142	172,703	186,961	187,455
General fund share of fees (1)			(160,000)	(154,913)						
Total taxes and fees	1,247,234	1,285,018	1,162,786	1,257,353	1,602,367	1,613,338	1,607,182	1,543,403	1,653,484	1,659,689
Operating revenues:										
Maryland Port Administration	76,851	77,067	91,901	90,600	94,697	91,027	94,499	96,880	93,635	69,222
Maryland Transit Administration	95,958	96,632	98,237	108,577	106,941	110,136	123,122	117,869	117,557	125,057
Maryland Aviation Administration	130,397	123,790	109,706	140,458	126,635	139,579	151,620	180,254	181,580	194,308
Total operating revenues	303,206	297,489	299,844	339,635	328,273	340,742	369,241	395,003	392,772	388,587
Other (3)	24,619	25,950	79,023	90,943	75,902	87,640	39,836	4	(3,666)	(3,600)
Investment income	10,423	3,724	2,960	3,374	4,928	8,211	10,574	3,683	3,996	394
Total revenues	1,585,482	1,612,181	1,544,613	1,691,305	2,011,470	2,049,931	2,026,833	1,942,093	2,046,586	2,045,070
Expenditures:										
Administration, operation and maintenance expenditures:										
The Secretary's Office	56,669	59,850	63,508	64,984	67,904	64,528	66,439	69,693	67,649	71,811
Washington Metro Transit Grants-in-Aid	136,624	123,701	129,030	145,027	153,250	167,041	170,961	193,026	210,394	215,736
State Highway Administration	190,174	187,761	234,191	222,158	219,703	204,764	236,245	240,192	240,742	296,445
Motor Vehicle Administration	117,921	122,186	121,328	124,111	125,699	133,666	140,436	145,838	148,106	146,316
Maryland Port Administration	82,965	86,803	93,430	97,230	99,092	95,423	98,718	104,887	97,901	68,237
Maryland Transit Administration	310,771	365,721	404,894	408,377	446,351	470,453	505,916	556,602	591,720	610,284
Maryland Aviation Administration	84,194	98,886	112,795	116,002	125,447	166,707	178,157	178,072	170,453	173,749
Total admin., operation and maintenance expend.	979,318	1,044,908	1,159,176	1,177,889	1,237,446	1,302,582	1,396,872	1,488,310	1,526,965	1,582,578
Less Federal funds:										
The Secretary's Office	(5,499)	(5,629)	(7,036)	(7,721)	(7,147)	(5,103)	(6,004)	(7,901)	(7,271)	(9,001)
State Highway Administration -- Highway Safety	(9,349)	(11,870)	(16,567)	(16,467)	(20,251)	(14,908)	(14,077)	(15,928)	(19,595)	(16,925)
Md. Transit -- Planning and program development	(13,472)	(30,114)	(51,910)	(51,957)	(51,923)	(50,376)	(52,077)	(54,392)	(65,894)	(63,775)
Motor Vehicle Administration	(899)	(850)	(151)	(78)	(240)	(161)	(90)	(351)	(313)	(404)
Maryland Aviation Administration	(199)	(1,933)	(1,177)	(280)	(331)	(280)	(350)	(656)	(656)	(656)
Total Federal funds	(29,418)	(50,396)	(76,841)	(76,503)	(79,892)	(70,828)	(72,598)	(79,228)	(93,729)	(90,761)
Total expenditures	949,900	994,512	1,082,335	1,101,386	1,157,554	1,231,754	1,324,274	1,409,082	1,433,236	1,491,817
Net revenues	\$ 635,582	\$ 617,669	\$ 462,278	\$ 589,919	\$ 853,916	\$ 818,177	\$ 702,559	\$ 533,011	\$ 613,350	\$ 553,253
Maximum annual principal and interest	\$ 127,060	\$ 138,183	\$ 153,965	\$ 169,655	\$ 141,172	\$ 121,412	\$ 129,550	\$ 153,661	\$ 197,281	\$ 210,714
Ratio of taxes pledged to principal and interest	8.09	7.57	6.98	6.75	8.65	10.06	9.24	7.41	6.26	5.91
Ratio of net revenues to principal and interest	5.00	4.47	3.00	3.48	6.05	6.74	5.42	3.47	3.11	2.63

Source: Maryland Department of Transportation, The Secretary's Office, Office of Finance.

- (1) The 2003 Session of the Maryland General Assembly approved legislation (HB 935) requiring the deposit of \$160M in FY2003 and \$154.9M in FY2004 in the State's General Fund.
- (2) The 2004 Session of the Maryland General Assembly approved legislation (HB 1467) increasing Motor Vehicle Registration Fees.
- (3) Fiscal year 2007 was the last year for the transfer of \$43M from Maryland Transportation Authority to the Transportation Trust Fund.
- (4) The 2007 special Session of the Maryland General Assembly approved legislation to increase the State's Sales Tax and the Vehicle Excise Tax (Titling) from 5% to 6%, effective Jan. 1, 2008. After the deduction of certain programmatic expenses provided by law, the Department received 80.2% in Fiscal Year 2010.
- (5) In addition, effective July 1, 2008, the Department now receives 5.3% of the net State's Sales Tax (after distribution of State's sales tax on short-term rental vehicles).

MARYLAND DEPARTMENT OF TRANSPORTATION
Schedule of Miscellaneous Statistics
Last Ten Fiscal Years
(unaudited)

	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
State Highway Administration:										
Miles of State Highway (1)	5,129	5,131	5,131	5,133	5,133	5,134	5,140	5,140	5,138	5,143
Motor Vehicle Administration:										
Motor Vehicle Titles Issued	1,098,490	1,150,710	1,161,980	1,227,528	1,205,886	1,202,561	1,166,195	1,096,692	930,858	939,209
Motor Vehicle Registration Transactions	3,245,566	3,281,391	3,394,364	3,519,824	3,476,509	3,600,359	3,580,933	3,378,435	3,345,546	3,336,752
Motor Vehicle Fuel - Gallons Sold	2,921,818,703	3,005,867,173	2,996,988,023	3,154,305,826	3,196,587,508	3,197,252,545	3,238,848,801	3,223,523,234	3,139,151,697	2,828,874,395
Maryland Port Administration:										
Port of Baltimore (2):										
Export Commerce (2,000 lbs.)	6,937,119	5,766,263	4,937,263	6,882,129	7,420,411	8,365,476	11,291,633	15,052,545	10,216,952	N/A
Import Commerce (2,000 lbs.)	18,763,913	17,928,583	19,801,838	24,878,081	25,005,278	22,254,906	19,490,995	17,965,267	12,145,939	N/A
Total Foreign Commerce (2,000 lbs.)	25,701,032	23,694,946	24,739,101	31,760,210	32,425,743	30,620,470	30,782,628	33,017,812	22,362,891	N/A
General Cargo (2,000 lbs.) (included above)	5,848,622	6,781,700	7,124,818	8,160,376	8,694,474	9,239,964	8,893,780	8,905,872	7,155,595	N/A
Maryland Aviation Administration:										
Passenger Traffic	20,738,146	19,264,924	18,920,924	20,742,032	19,571,154	20,360,376	20,643,685	21,321,252	20,103,443	21,313,033
Commercial Air Carrier Operations	292,298	280,221	258,690	263,062	273,098	266,928	267,517	260,970	243,453	247,391
Total Aircraft Operations	331,574	312,804	295,757	306,293	311,806	304,648	303,721	290,945	266,273	272,997
Maryland Transit Administration (Baltimore Area) (3):										
Buses (4)	935	1,010	874	913	843	840	840	895	895	869
Route Miles	2,691	2,693	3,116	3,125	3,126	2,657	1,809	2,146	2,111	2,088
Vehicle Miles (7)	21,392,988	23,023,397	23,454,697	23,672,892	23,492,593	23,877,900	23,448,056	23,873,643	24,703,842	24,248,825
Trips	77,263,473	77,613,413	74,394,672	71,386,149	71,062,892	71,624,670	72,611,252	75,575,573	79,239,334	78,188,577
Subway Cars	100	100	100	100	100	100	100	100	100	100
Route Miles	15	15	15	15	15	15	15	15	15	15
Car Miles	4,309,303	4,779,657	4,738,166	4,743,157	4,715,695	4,681,521	4,735,303	5,193,972	5,285,406	4,480,709
Trips	13,585,238	14,239,947	13,196,410	12,425,656	12,863,412	12,918,530	13,225,843	13,955,325	13,566,823	1,363,903
Light Rail Cars (Baltimore Area) (5)	53	53	53	53	53	53	53	53	53	53
Route Miles	29	29	29	29	29	29	29	29	29	29
Car Miles	2,811,519	2,663,248	2,811,658	2,083,464	1,494,164	2,053,813	2,797,732	2,789,820	2,780,098	3,179,325
Trips	7,816,715	8,794,627	7,238,036	6,067,069	4,875,005	5,401,327	7,121,516	7,962,979	8,712,179	8,076,249
MARC Commuter Rail Cars	140	140	146	153	165	165	157	153	157	157
Number of Trains Daily	78	86	86	84	84	85	85	89	83	87
Number of Stations Served (6)	40	42	42	42	42	42	42	42	42	42
Car Miles (7)	4,438,031	4,582,677	4,796,550	4,854,629	5,030,652	4,997,902	5,030,652	5,124,244	5,706,147	5,651,786
Trips	5,816,975	5,955,071	6,334,820	6,699,250	6,884,083	7,274,737	7,505,226	7,897,602	8,081,155	8,095,577
Number of MDOT State Employees	N/A	N/A	N/A	6,799	6,599	6,523	6,518	6,572	6,638	6,463

Source: Maryland Department of Transportation modal administrations.

(1) As of January 1.

(2) Calendar year basis.

(3) Data is estimated for FY 2006 and may have also been restated in prior fiscal years.

(4) Bus service statistics have been restated to include transportation provided by contractual bus companies.

(5) Service initiated in May, 1992; service extended to Hunt Valley in September, 1997, and to BWI Airport in December, 1997.

(6) Service initiated to Frederick and Monocacy on December 17, 2001.

(7) Vehicle and car miles have been restated to accurately reflect the revenue service miles.



MARYLAND DEPARTMENT OF TRANSPORTATION

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